HOME CENTER

The *NHCN* Top 100

DIY Rank	Companies	DIY $ Volume (in millions) '82	'81	% change	Total $ Volume (in millions) '82	'81	% change	% Consumer Sales '82	'81	Number of Stores '82	'81	'83 (proj.)
1	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Handy City, Handy Dan, Orchard) 10,300 employed; Sku's: 30K avg./30,000K total; Selling area: 36.5K avg./10mil. total	**840**	754	+ 11.0	**875**	794	+ 10.2	**96**	95	**273**	264	297
2	**Evans Products,** Portland, Ore. (incl. Alamo Enterprises, Grossman's, Hubbard & Johnson, Lindsley, Moore's)	**695**	635	+ 4.0	**790**	756	+ 4.5	**88**	84	**341**	348	NA
3	**Payless Cashways,** Kansas City, Mo. 6,400 employed; Sku's: 13K avg./30K total; Selling area: 25K avg./2.5mil. total	**573**	455	+ 25.9	**603**	479	+ 25.9	**95**	95	**100**	100	118
4	**Lowe's,** North Wilkesboro, N.C. 7,400 employed; Sku's: 9.2K avg./19K total; Selling area: 3-15K/2.3mil. total	**569**	462	+ 23.2	**1,034**	888	+ 16.4	**55**	52	**235**	229	250
5	**Wickes Cos.,** Santa Monica, Calif. (incl. Wickes Lumber, Builders Emporium) 6,735 employed	**440**	575	– 23.0	**746**	1,045	– 29.0	**59**	55	**301**	340	NA
—	**Grossman's,** Braintree, Mass. (see Evans Products)	**383**	356	+ 8.0	**403**	387	+ 4.0	**95**	92	**199**	204	NA
—	**Wickes Lumber,** Chicago (see Wickes Cos.) 4,500 employed	**288**	418	– 31.0	**576**	890	– 35.0	**50**	47	**239**	278	NA
6	**84 Lumber,** Eighty Four, Pa. 2,500 employed	**360**	302	+ 19.0	**600**	550	+ 9.1	**60**	55	**370**	**350**	**400**
7	**Sutherland Lumber,** Kansas City, Mo. 2,500 employed; Selling area: 30-50K/3mil. K total	**296**	245	+ 21.0	**395**	350	+ 13.0	**75**	70	**75**	74	79
—	**Channel Home Centers,** Whippany, N.Y. (see Grace)	**260**	227	+ 15.0	**260**	227	+ 15.0	**100**	100	**91**	89	NA
8	**Hechinger,** Landover, Md. 3,700 employed; Sku's: 40K avg./40K total; Selling area: 20K-60K/1.4mil. total	**241**	211	+ 15.0	**241**	211	+ 15.0	**100**	100	**34**	31	41
9	**Scotty's,** Winter Haven, Fla. 4,000 employed; Sku's: 7K avg./10K total; Selling area: 32K-50K/3.5mil. total	**237**	206	+ 15.0	**308**	294	+ 5.0	**77**	70	**98**	83	105
—	**Handy Dan,** San Antonio (see Grace)	**230**	258	– 11.0	**230**	272	– 15.0	**100**	95	**78**	69	NA
10	**Ernst Home Center,** Seattle 1,900 employed; Sku's: 30K avg./30K total	**230**	230	0.0	**230**	230	0.0	**100**	100	**68**	76	69
11	**Rickel Home Centers,** South Plainfield, N.J. 2,950 employed; Sku's: 30K avg./30K total; Selling area: 30K-50K; 1.7mil. total	**230**	187	+ 23.0	**230**	187	+ 23.0	**100**	100	**34**	31	36
12	**Handyman,** San Diego (incl. Homer's)	**200**	205	– 2.0	**200**	205	– 2.0	**100**	100	**80**	80	NA
13	**Ole's Home Centers,** Pasadena, Calif.	**188**	160	+ 17.5	**188**	160	+ 17.5	**100**	100	**33**	32	37
14	**Pay 'N Pak,** Kent, Wash. 1,264 employed; Sku's: 11K avg./11K total; Selling area: 12K-56K/2.1mil. total	**187**	181	+ 3.0	**187**	181	+ 3.0	**100**	100	**98**	88	105
15	**Central Hardware,** Bridgeton, Mo. 2,500 employed; Sku's 40K avg./45K total; Selling area: 45K avg./1.3mil. total	**180**	170	+ 5.9	**180**	170	+ 5.9	**100**	100	**30**	29	31
16	**Menards,** Eau Claire, Wis.	**170**	154	+ 10.0	**200**	181	+ 10.0	**85**	85	**22**	21	NA
—	**Builders Emporium,** Irvine, Calif. (see Wickes Cos.) 2,235 employed	**167**	152	+ 9.7	**170**	155	+ 9.9	**98**	98	**62**	62	NA
17	**Pergament Home Centers,** Melville, N.Y.	**160**	125	+ 28.0	**160**	125	+ 28.0	**100**	100	**40**	42	46
18	**Boise Cascade,** Boise, idaho 34,000 employed; Sku's: 10K avg./total NA; Selling area: 15-17K/total NA	**155**	153	+ 1.3	**310**	326	– 4.9	**NA**	47	**93**	96	93
—	**Lindsley,** Miami (see Evans Products)	**134**	125	+ 7.2	**134**	125	+ 7.2	**100**	100	**43**	43	NA
19	**West Building Materials Centers,** Atlanta 1,700 employed	**118**	113	+ 5.0	**157**	150	+ 5.0	**75**	75	**64**	65	66
20	**The Home Depot,** Atlanta 1,100 employed; Sku's: 25K avg./25K total; Selling area: 63K-82K/700K total	**118**	52	+ 128.0	**118**	52	+ 128.0	**100**	100	**10**	8	16
21	**Forest City,** Cleveland 2,000 employed; Sku's: 30K avg./30K total; Selling area: 59K avg./1.3mil total	**114**	109	+ 5.1	**117**	110	+ 6.4	**98**	99	**21**	21	21
—	**Handy City,** Atlanta (see Grace)	**114**	95	+ 20.0	**114**	95	+ 20.0	**100**	100	**48**	53	NA
—	**Moore's,** Roanoke, Va. (see Evans)	**112**	95	+ 18.0	**160**	149	+ 7.0	**70**	64	**86**	87	NA
22	**McCoy's Building Supply Centers,** San Marcos, Tex. Selling area: 15K-18K/600K total	**103**	80	+ 29.0	**129**	100	+ 29.0	**80**	80	**38**	33	50
23	**National Lumber,** Santa Ana, Calif. 850 employed; Sku's: 35K avg.; Selling area: 45K avg./540K total	**98**	90	+ 8.8	**98**	90	+ 8.8	**100**	100	**12**	11	13
—	**Angels,** City of Commerce, Calif. (see Grace)	**90**	50	+ 80.0	**90**	50	+ 80.0	**100**	100	**27**	28	NA
24	**Lanoga,** Seattle (incl. Lumberman's of Washington, Spenards, United Building Centers) 1,500 employed; Sku's: 6K avg./12K total; Selling area: 1K-17K/610K total	**87**	76	+ 14.0	**218**	185	+ 18.0	**40**	41	**122**	117	132
25	**Diamond International,** Sacramento, Calif. 1,366 employed; Sku's: 10K avg./10K total	**80**	78	+ 2.3	**228**	277	– 17.7	**35**	28	**119**	124	100
26	**Hugh M. Woods,** Denver	**77**	68	+ 13.0	**86**	76	+ 13.0	**90**	90	**12**	12	15
—	**Orchard Supply,** San Jose, Calif. (see Grace)	**75**	59	+ 27.0	**101**	78	+ 29.0	**74**	76	**17**	14	NA
27	**Erb Lumber,** Birmingham, Mich. 750 employed; Sku's: 7K avg./9K total; Selling space: 5K-20K/420K total	**73**	77	– 5.0	**97**	118	– 18.0	**75**	65	**35**	36	35
—	**Cashway Home Improvement Centers,** El Paso, Tex. (incl. Allwoods) (see Grace)	**71**	65	+ 9.0	**80**	72	+ 11.0	**89**	90	**12**	11	NA
28	**Great Plains Supply,** St. Paul, Minn. 1,000 employed; Sku's: 8K avg./10K total; Selling area: 1.5-7.5K/222K total	**63**	70	– 10.0	**90**	100	– 10.0	**70**	70	**101**	116	100
29	**Busy Beaver,** Pittsburgh	**65**	59	+ 10.2	**76**	69	+ 10.1	**85**	85	**30**	28	32

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30	**Wolohan Lumber,** Saginaw, Mich. 457 employed; Sku's: 7K avg./15K total; Selling area: 12K-24K/422K total	**60**	51	+ 18.0	**89**	89	0.0	**67**	57	**32**	34	35
31	**Lumberjack,** Sacramento 700 employed; Sku's: 30K avg./60K total; Selling area: 26K-38.5K/205K total	**59**	54	+ 9.0	**65**	60	+ 8.0	**90**	90	**7**	6	7
32	**Handy Andy Home Improvement Centers,** Gurnee, Ill. 900 employed; Sku's: 32K avg./32K total; Selling area: 28K-85K/500K total	**59**	39	+ 51.0	**60**	40	+ 50.0	**98**	98	**11**	9	13
33	**American Maize Products,** Stamford, Conn. (incl. Lloyd Lumber, Lundy-Briggs) 800 employed; Sku's: 12K avg./12K total; Selling area: 2K-73K/total, NA	**56**	40	+ 40.0	**80**	66	+ 21.2	**70**	66	**39**	43	38
34	**Southwest Forest Industries,** Phoenix (incl. Dunlap's, Knox Lumber) 640 employed; Sku's: 18K avg./22K total; Selling area: 6K-28K/200K total	**53**	54	− 2.0	**81**	90	− 10.0	**65**	60	**12**	15	9
35	**Valu Home Centers,** Buffalo, N.Y.	**53**	43	+ 23.3	**53**	43	+ 23.3	**100**	100	**12**	11	13
—	**Knox Lumber,** St. Paul, Minn. (see Southwest Forest) 600 employed; Sku's: 20K avg./22K total; Selling area: 23K avg./216K total	**53**	52	+ 2.0	**70**	69	+ 1.0	**75**	75	**9**	9	9
36	**Neiman-Reed's Lumber City,** Sherman Oaks, Calif. 750 employed; Sku's 22K avg./23K total; Selling area: 28K-45K/520K total	**52**	48	+ 8.0	**55**	50	+ 10.0	**95**	95	**13**	13	13
37	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline Lumber, Everitt Lumber)	**51**	46	+ 10.9	**100**	95	+ 5.3	**51**	48	**10**	10	NA
—	**United Building Centers,** Winona, Minn. (see Lanoga)	**50**	48	+ 5.0	**84**	80	+ 5.0	**60**	60	**108**	109	NA
38	**Carter Lumber,** Kent, Ohio	**47**	48	− 2.0	**78**	80	− 3.0	**60**	60	**130**	130	NA
39	**Homecrafters,** Pelham, Ala. 906 employed; Sku's: 12K avg./12K total; Selling area: 14.5K avg./547K total	**45**	52	− 12.8	**89**	100	− 10.5	**50**	52	**49**	49	49
40	**Lampert Lumber,** St. Paul, Minn. 600 employed; Sku's: 10K avg./30K total; Selling area: 2.5K-17K/456K total	**42**	46	− 9.0	**65**	70	− 7.0	**65**	65	**48**	48	48
41	**Foxworth-Galbraith Lumber,** Dallas 450 employed; Sku's: 20K avg./30K total	**42**	35	+ 20.0	**70**	70	0.0	**60**	50	**49**	49	49
—	**Dixieline Lumber,** San Diego (see Weyerhaeuser)	**39**	34	+ 15.0	**70**	65	+ 8.0	**55**	52	**5**	5	NA
42	**Copeland Lumber Yards,** Portland, Ore. 500 employed; Selling area: 3K-6K/385K total	**38**	30	+ 27.0	**75**	75	0.0	**50**	40	**77**	77	77
43	**Goodman Lumber,** San Francisco Selling area: 62.5K avg.	**37**	28	+ 32.0	**37**	28	+ 32.0	**100**	100	**5**	5	5
44	**Stambaugh-Thompson,** Youngstown, Ohio 609 employed; Sku's: 15K avg./15K total; Selling area: 20K-34K/421K total	**37**	34	+ 8.0	**37**	34	+ 8.0	**100**	100	**17**	17	20
—	**Lloyd Lumber,** Danbury, Conn. (see American Maize) 465 employed; Sku's: 12K avg./12K total; Selling area: 2K-73K/total, NA	**35**	28	+ 25.0	**50**	37	+ 35.0	**70**	75	**22**	22	23
45	**Courtesy Home Centers,** Mount Prospect, Ill. 100 employed; Selling area: 45K-55K/200K total	**35**	33	+ 6.0	**35**	33	+ 6.0	**100**	100	**4**	4	5
—	**Alamo Enterprises,** San Antonio (see Evans)	**34**	29	+ 17.0	**38**	35	+ 9.0	**90**	83	**9**	9	NA
46	**Hill-Behan,** St. Louis 700 employed; Sku's: 10K avg./10K total; Selling area: 7K-30K/352K total	**33**	33	0.0	**60**	60	0.0	**55**	55	**32**	31	33
47	**Charles Meek Lumber,** Springfield, Mo.	**33**	25	+ 32.0	**50**	50	0.0	**65**	50	**18**	18	20
48	**Warners True Value,** St. Paul, Minn.	**33**	33	0.0	**35**	35	0.0	**95**	95	**23**	23	23
49	**O'Malleys,** Phoenix 300 employed; Sku's: 20K avg./20K total; Selling area: 18K avg./360K total	**33**	33	0.0	**65**	70	− 7.1	**50**	47	**15**	18	15
—	**Hubbard & Johnson,** San Carlos, Calif. (see Evans Products)	**32**	30	+ 7.0	**55**	60	− 8.0	**58**	50	**4**	5	NA
50	**Westlake Hardware,** Moberly, Mo. 355 employed; Selling area: 12K-42K/370K total	**32**	29	+ 10.0	**35**	30	+ 17.0	**91**	97	**19**	17	24
51	**Plywood Minnesota,** Minneapolis, Minn. 175 employed; Selling area: 25K-45K/260K total	**31**	31	0.0	**31**	31	0.0	**100**	100	**13**	20	9
52	**Peavey,** Minneapolis 700 employed; Sku's: 8K avg./14K total; Selling area:7K-65K/700K total	**30**	35	− 17.0	**60**	71	− 15.0	**50**	50	**34**	55	34
53	**Somerville Lumber,** Somerville, Mass. 315 employed; Sku's: 37K avg./37K total; Selling area: 37K-44K/81K total	**29**	21	+ 38.0	**34**	25	+ 36.0	**85**	85	**2**	1	3
54	**Homeowners Do-It-Yourself Centers,** Gardena, Calif. 400 employed; Sku's: 35K avg./40K total; Selling area: 25K-35K/160K total	**28**	23	+ 22.0	**28**	23	+ 22.0	**100**	100	**5**	4	7
55	**Edward Hines Lumber,** Chicago 300 employed; Sku's: 7.5K avg./9.5K total; Selling area: 7.7K avg./190K total	**27**	30	− 8.0	**55**	59	− 7.0	**50**	50	**25**	25	26
56	**Scott's,** Linthicum, Md. 400 employed; Sku's: 9K avg./9K total; Selling area: 19K-40K/375K total	**27**	18	+ 50.0	**28**	19	+ 32.0	**95**	95	**17**	17	17
57	**Chase-Pitkin,** Rochester, N.Y. 400 employed; Sku's: 40K avg./40K total; Selling area: 15K-45K/253K total	**25**	20	+ 24.0	**27**	26	+ 3.8	**95**	79	**9**	9	10
58	**Peter Kuntz,** Dayton, Ohio	**24**	29	− 17.0	**48**	48	0.0	**50**	60	**26**	29	26
59	**Church's Lumber Yards,** Utica, Mich. 200 employed; Selling area: 10K-25K/198K total	**24**	21	+ 14.0	**32**	32	0.0	**75**	67	**11**	11	11
60	**City Mill,** Honolulu 300 employed; Sku's: 20K avg./20K total; Selling area: 45K avg./171K total	**24**	22	+ 9.0	**24**	23	+ 6.5	**98**	95	**4**	4	5
61	**Eclipse Industries,** St. Louis (incl. B and B, Big E) 200 employed; Sku's: 101K avg.; Selling area: 20K-33K/170K total	**23**	19	+ 24.7	**25**	20	+ 25.0	**95**	95	**6**	8	7
—	**Spenard's,** Anchorage, Alaska (see Lanoga)	**23**	15	+ 53.0	**112**	100	+ 12.0	**21**	15	**10**	5	NA
62	**Walker-Kurth,** Houston 420 employed; Sku's: 20K avg./30K total; Selling area: 12K-20K/120K total	**23**	21	+ 10.0	**45**	40	+ 13.0	**50**	52	**8**	8	8

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63	**Braver Lumber,** Detroit (incl. Pine Lumber Cashway) Sku's: 8K avg./8K total; Selling area: 6K-10K/120K total	23	23	0.0	26	29	− 10.0	90	80	12	13	13
64	**Lampert Yards,** St. Paul, Minn.	20	20	0.0	40	40	0.0	50	50	38	42	38
65	**All American Home Center,** Downey, Calif. 250 employed; Sku's: 65K avg./65K total; Selling area: 140K	20	18	+ 11.0	20	18	+ 11.0	100	100	1	1	1
66	**Sackett & Peters,** Whittier, Calif. 150 employed; Sku's: 35K avg./35K total; Selling area: 35K avg./70K total	20	17	+ 18.0	20	17	+ 18.0	100	100	2	2	4
67	**Brewster's,** Providence, R.I. 200 employed; Sku's: 10K avg./10K total; Selling area: 17K avg./68K total	19	21	− 8.5	32	35	− 8.5	60	60	4	4	4
68	**T. H. Rogers Lumber,** Oklahoma City, Okla. 200 employed; Sku's: 10K avg./10K total; Selling area: 160K total	19	18	+ 6.0	29	29	0.0	65	65	32	32	33
69	**Z & L Lumber,** Pittsburgh	19	17	+ 12.0	22	20	+ 10.0	85	85	6	6	6
70	**Thurman Industries,** Kirkland, Wash.	19	17	+ 12.0	20	18	+ 11.0	95	94	9	9	10
71	**Gee Lumber,** Chicago 450 employed; Sku's: 35K avg./40K total; Selling area: 20K-60K/40K total	18	16	+ 16.0	25	24	+ 4.2	75	67	13	12	13-15
72	**Williams Bros. Lumber,** Atlanta 300 employed; Sku's: 13K avg.; Selling area: 11.5 avg./130K total	14	10	+ 40.0	30	25	+ 20.0	60	40	9	7	10
73	**Plywood Ranch,** Braintree, Mass. 200 employed; Sku's: 7K avg./10K total; Selling area: 7K-20K/300K total	18	17	+ 6.0	23	22	+ 5.0	95	95	28	28	28
74	**Samon's D-I-Y Centers,** North Salt Lake, Utah 205 employed; Sku's: 9K avg./13K total; Selling area: 12K-16K/160K total	18	18	0.0	20	20	0.0	90	90	14	13	14
75	**Anderson Lumber,** Ogden, Utah 350 employed; Sku's: 8K avg./10K total; Selling area:2K-40K/200K total	17	15	+ 13.0	50	50	0.0	33	30	21	21	23
76	**Curtis Lumber,** Ballston Spa, N.Y. 150 employed; Selling area: 7K-48K/97K total	17	15	+ 13.0	22	20	+ 10.0	75	75	6	6	7
77	**A. C. Houston Lumber,** Wichita, Kansas 325 employed; Sku's: 35K total; Selling area: 4K-40K range	17	19	− 12.0	48	48	0.0	35	40	12	12	13
78	**Star Lumber,** Wichita, Kan. 290 employed; Sku's: 20K avg.; Selling area: 16K-45K/25K total	17	19	− 10.0	37	38	− 2.6	45	49	3	3	3
79	**Budget Power,** Hopkins, Minn.	16	15	+ 7.0	18	17	+ 6.0	90	90	7	7	NA
80	**Levy's Lumber,** Louisville, Ky. 200 employed; Sku's: 15K avg./15K total; Selling area: 12K-60K/112K total	16	15	+ 7.0	16	15	+ 7.0	98	98	3	3	4
81	**The Paty Company,** Piney Flats, Tenn. 300 employed; Sku's: 16K avg./16K total; Selling area: 14K avg.	15	20	− 21.0	31	33	− 4.5	50	50	6	6	6
82	**Kindt,** Lomira, Wis. 250 employed; Sku's: 9K avg./9K total; Selling area: 15K-22K/312K total	15	15	0.0	30	30	0.0	50	50	6	6	7
83	**L-P Home Centers,** El Segundo, Calif.	16	15	+ 6.7	25	25	0.0	65	60	7	8	NA
84	**Mr. GoodBuys,** Philadelphia 110 employed; Selling area: 18K-35K; 73K total	15	12	+ 25.0	17	13	+ 15.0	90	90	3	3	4
85	**Causeway Lumber/Red Thumb Home Centers,** Fort Lauderdale, Fla.	14	16	− 13.0	36	39	− 8.0	40	40	4	4	4
86	**Lumberman's of Washington,** Shelton, Wash. (see Lanoga) Sku's: 15K avg./20K total; Selling area: 4K-10K	14	13	+ 10.0	22	20	+ 10.0	65	65	5	5	NA
87	**Strober Bros.,** Brooklyn, N.Y.	14	12	+ 16.7	40	35	+ 14.3	35	35	9	10	9
88	**Lezzer Lumber,** Curwensville, Pa. 75 employed; Sku's: 10K avg./10K total; Selling area: 7,500 avg./35K total	14	13	+ 8.0	20	22	− 9.0	70	60	4	4	5
—	**Lundy-Briggs,** Williamsport, Pa. (see American Maize)	14	17	− 17.6	20	29	− 31.0	70	60	15	21	NA
89	**Alexander Lumber,** Aurora, Ill. 250 employed; Selling area: 300-24,000	12	8	+ 50.0	40	40	0.0	30	20	60	60	60
90	**Fullerton Lumber,** Minneapolis 352 employed; Selling area: 1K-20K/512K total	12	13	− 8.0	31	33	− 6.0	40	40	65	70	60
—	**Everitt Lumber,** Fort Collins, Colo. (see Weyerhaeuser)	12	12	0.0	30	30	0.0	40	40	5	5	NA
91	**Bailey Lumber,** Bluefield, W. Va. 215 employed; Sku's: 11K avg./20K total; Selling area: 3K-9K/100K totaL	12	11	+ 9.0	20	19	+ 5.0	60	60	18	18	17
92	**TAPJAC,** Carthage, Mo. 175 employed; Sku's: 10K avg./45K total; Selling area: 4K-20K/110K total	12	10	+ 20.0	18	18	0.0	65	55	13	13	13
93	**Brown's Lumber,** Fairmont, W. Va. 100 employed; Sku's: 6K avg./7K total; Selling area: 10K-14K/72K total	12	11	+ 9.0	16	15	+ 7.0	73	73	7	7	7
94	**Builderama,** Savannah, Ga. 200 employed; Sku's: 19K avg./19K total; Selling area: 18K-41K/160K total	12	11	+ 9.0	14	14	0.0	85	79	5	5	6
95	**Lumber Headquarters,** Floral Park, N.Y. 150 employed; Selling area: 400-12,000/51K total	12	11	+ 9.0	13	12	+ 8.0	90	90	12	12	13
96	**Wood Bros. Lumber,** Tucson, Ariz. 160 employed; Sku's: 15K avg./15K total; Selling area: 10K-30K/60K total	12	12	0.0	13	13	0.0	90	90	2	2	3
97	**The Hardware Fair,** Baltimore 200 employed; Sku's: 25K avg./25K total; Selling area: 7K-20K/120K total	12	11	+ 9.0	12	11	+ 9.0	100	100	10	10	10
98	**Robertson Cos.,** Grand Forks, N.D.	11	14	− 21.0	28	35	− 20.0	40	40	30	30	NA
99	**Alamo Lumber,** San Antonio 210 employed; Sku's: 3K avg./10K total; Selling area: 1.5K-20K/90K total	11	11	0.0	19	19	0.0	60	60	16	16	17
100	**Elgin Lumber,** Elgin, Ill. 170 employed; Sku's: 40K avg./60K total; Selling area: 10K-40K/80K total	11	11	0.0	19	18	+ 6.0	60	60	5	4	5

All figures from annual reports, company officials or *NHCN* estimates based on market and industry data. Figures for companies operating on fiscal year basis have been adjusted into 1982 calendar year for comparison purposes.

NA—Not available
K—thousand
Retail selling area: minimum-maximum (or chainwide average)/total chainwide in sq. ft.

Success of warehouse formula

(Continued from page 15)

evolved? To define a warehouse store generally, it is large in size, over 60,000 sq. ft.; produces exceptional volume, around $1 million per month; receives most goods on a direct basis; has higher than average turns and lower than average margins.

Clearly there are chains that could claim to be warehouse types which do not fit into this definition, such as B & B of St. Louis. But in an industry where few agree on what a home center is, a lack of unanimity about what constitutes a warehouse operation should not be surprising.

Perhaps the more important question is not what a warehouse is, but why it works. The answer can probably be found in the Home Depot's formula, which has to do with advertising, buying, pricing, controls, consumer education, employee development and something less tangible—the shopping environment.

Reportedly, Home Depot set out aiming for 30% gross margins with the idea that at all times 10% of the merchandise would be sold at margins of 10% and below, with the extremely low-priced goods constantly being rotated to foil the competition.

DISPLAY SPOTLIGHT
POCKET DOOR FRAME KIT
ACME POCKET DOOR

At Hechinger, Landover, Md., louver doors are displayed along wide aisle at rear of the store. Despite height of gondolas, 8-ft.-wide aisle provides customers with an open feeling.

Said an executive of a major chain that has not faced Home Depot, but has studied the possibility, "They tend to ruin the margin on items we make big margins on. They move the target.

"What would confuse us more than anything else is their loss leaders. We don't use loss leaders."

Home Depot's founders, Bernie Marcus, Arthur Blank and Pat Farrah have left little doubt in the industry that a sharp pricing strategy has been carried out.

"Bernie's outlets are able to move so much commodities that he's using them as a price leader," said Dick Rose, general marketing manager of Georgia-Pacific's distribution division. "It's one of those things where we have to reassure our customers that he's buying it for what they are, but he's selling it for what he's buying it for.

"We figure he's sold gypsum below cost as well as landscape timbers."

The low prices, of course, build traffic and, as Rose elaborated, "If you've got any kind of sales people at all they tell the customer, 'we've got a special on this,' and that results in an additional $20 sale. That's all it takes."

Part of Home Depot's strategy apparently is to fill store positions with the qualified people who can make those extra sales. The lure of opportunity, reflected at all levels, is perhaps best revealed by the decision of Jim Inglis to trade the vice president, merchandising title at Dixieline for a less senior spot in Atlanta.

His addition further strengthened Home Depot's already well respected buying staff, which has played an important role in the company's success, since offering low prices usually depends on buying right.

The Formula: Buying & Advertising

That particular talent for knowing what to buy and in what quantity is exemplified by Home Depot's ceiling fan effort. According to Ron Kepes, vice president of Moss Manufacturing, one of the vendors in that category, Home Depot plans its program six months in advance.

This spring's inventory was determined last fall. At that time matters related to sku's, models, price points, display space, backup goods, returned goods policies and customer complaints were resolved and a letter of credit was issued to Moss.

When containers of fans arrived by boat from the Orient, Moss was paid, and in two to four days the merchandise was absorbed into Home Depot stores, without ever going through Moss' warehouse. Each container, which carried about 1,200 fans worth approximately $60,000 wholesale, served three stores.

"The more traditional guy who's going to buy less says, 'I don't know what I'm going to do so I'll rely on Moss' warehouse,'" said Kepes. That customer, of course, pays for that protection, while Marcus and company benefit.

"I would assume," said Kepes, "that if a person can't save 20% to 25% it wouldn't pay for him to go through the hassle."

Larger chains also buy significant amounts direct from the Orient, but generally the merchandise moves through distribution centers to the stores. The extra handling means additional cost that has to be tagged onto the price, which gives an operation like Home Depot an advantage.

Said Kepes, "If he's got guts and money, a small guy can buy like a giant."

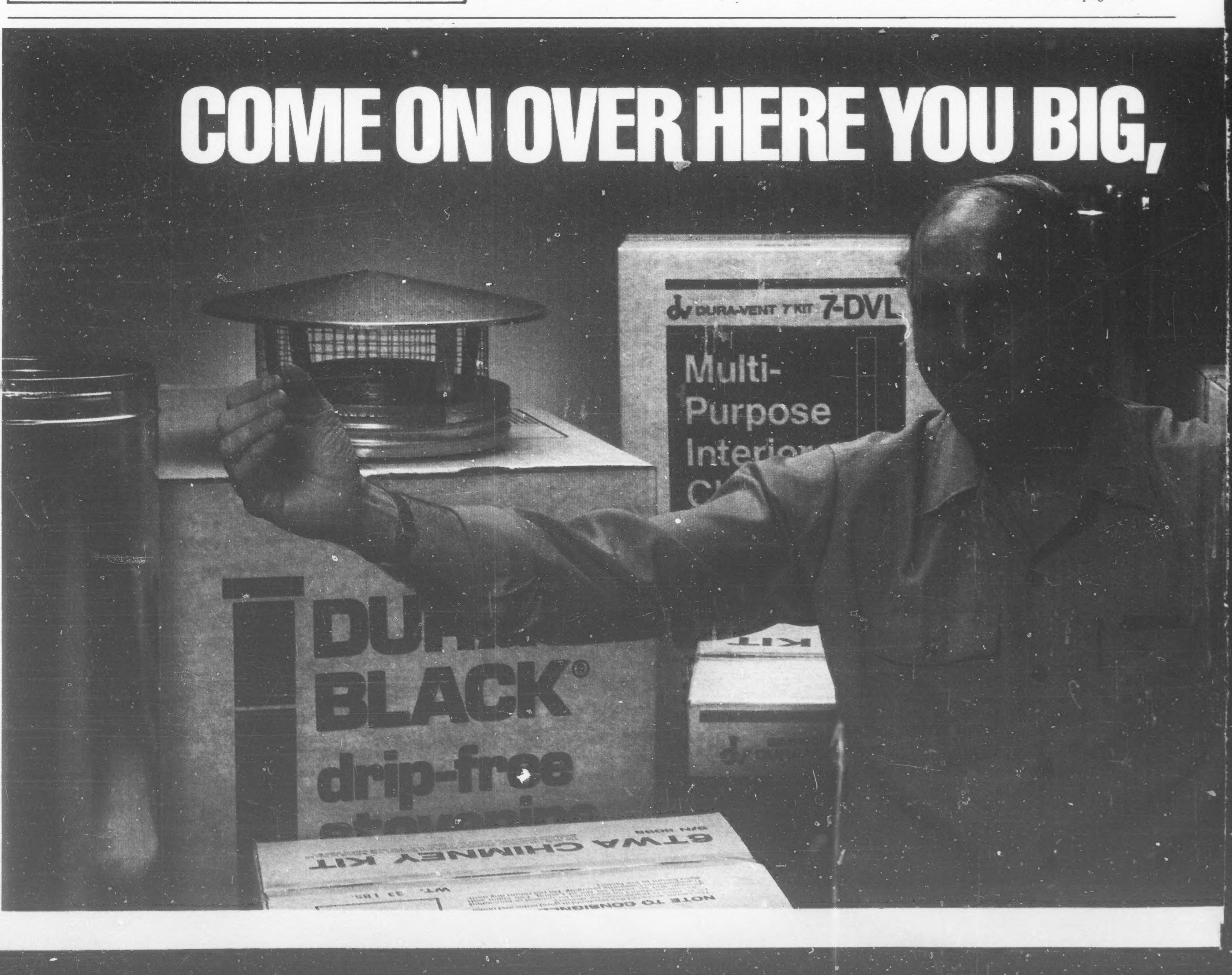
Of course, once having gotten merchandise into the store at the right price the public has to learn that the goods are available. A low-margin advertising perspective was provided by Kevin Jaffe, vice president of sales and marketing for Behr, which supplies each Home Depot store, during peak periods, with as many as 4,000 gal. or $35,000 to $50,000 worth of stains and preservatives.

"Many of the things sold in home centers today predominately are sold on ad," he said, referring specifically to competitive commodities and some seasonals. "If 80% of volume is sold on ad, doesn't it make sense to have product on sales 80% of the time?

"The conventional approach of putting an item on sale for one to two weeks is ridiculous. Everyday low prices—what supermarkets are doing—is the bottom line of the whole thing."

The sharp pricing and the look of the store when the cus-

(Continued on page 23)



HOME
CENTER

Industry spurred by warehouses

(Continued from page 22)

tomer enters generate excitement, Jaffe said. “It's like when you walk into a restaurant. There's an instant feeling even before you've tasted the food. That's so important in the retailing world.”

Risks are great

But the approach is not without risk.

“It's a very high powered way of merchandising,” said an exec. “It's definitely not a fad. It's got a very strong future. But I think it's pretty hard to pull it off. Those who pull it off will do well; those who don't will get murdered. There's no middle ground.

“It's a strong competitive weapon. What happens when you get two of these things up against each-other? That's a big imponderable in my mind.”

Some of the same doubts were expressed by Denny as he prepares to open a 70,000-sq.-ft. and an 80,000-sq.-ft. unit in San Antonio by July 4, outlets that, while large and stocked with about 35,000 sku's, may not be as off-price as The Home Depot.

“I think you're seeing an evolution,” said Denny. “And not a proven evolution at this time.

“At this point nobody has really taken a warehouse into a strong market. In Atlanta, when Home Depot entered, Handy City was not strong competition. Orlando was really the first real competition.

“There is a lot of danger in the concept. It can be successfully attacked by independents and chains.

“You're selling low cost from the consumer's viewpoint, but is it really that competitive? House Works was competitive on margins compared to Handy City, but maybe not compared to National Lumber or Forest City.

“You're pushing the turn side. When you're pushing the margin side it's easier to adjust. You can operate a $3 million to $4 million home center and do well; run a warehouse operation at $7 million to $8 million and you're breaking even.”

The protection against merely breaking even would seem to be proper controls. Moving so much inventory through an outlet efficiently is a particular problem. The Home Depot reportedly is aiming for a computerized, supermarket-like system that would eliminate the need for pricing each item.

Pat Sher also indicated that at this point HomeOwners Warehouse is pricing all its merchandise but would also like to eliminate that practice, if possible.

“The name of the game is spinning goods,” he said.

In some respects The Home Depot, with only 10 stores, has more control over operations than a larger chain. When it comes to promotions, for example, the significant volume posted by each store makes it appealing for manufacturers to become deeply involved, while the relatively few number of stores make it easier for chain management to maintain control.

The high volume per store may also draw more regular attention from suppliers. Jaffe of Behr noted that to serve an average 80-store chain would probably mean one visit to each store per month by a Behr representative. And it would take five to eight persons to service the chain.

Generally, manufacturers seem pleased to be in an operation like Home Depot, but Jaffe did suggest that the warehouse concept had not yet been fully exploited by suppliers.

“There's a difficulty with in-store merchandising support since you're not dealing with conventional fixtures. We had to develop different display material that works in those stores.

With the warehouse concept 'you're pushing the turn side. When you're pushing the margin side it's easier to adjust. You can operate a $3 million to $4 million home center and do well; run a warehouse operation at $7 million to $8 million and you're breaking even.'

—Frank Denny

“The biggest problem is height, since everything has a high profile you have to find the proper position that can be seen by customers.

“Frankly, we haven't yet found what is most effective.”

He also mentioned a drawback for manufacturers serving warehouse home centers. He speculated that conventional operators facing warehouse stores might switch away from brands carried by the low-margin outlet in order not to compete on price.

Mostly, however, vendors seem delighted to serve the warehouse stores. As Ron Kepes said of doing business with Home Depot:

“We love to sell them because money is not a problem and they have the ability to buy big. They do not rely on us for a little of this, a little of that. They buy big, sell big, pay big.”

Is anyone being hurt?

The warehouse retailer, his suppliers and the public are all benefiting it seems. But, is anyone hurt in this process? According to Bernie Marcus, no.

While Marcus declined to be interviewed for this story because he felt it would conflict with his recent application to issue 1.5 million additional shares, he said last month at a research conference in New York that home center retailing is the only industry where a retailer can create new business.

While an average DIYer spends $150 per year on items like light bulbs, a more accomplished person spends up to $3,000, according to Marcus. He attributed much of his sales growth to the customers his employees have educated.

“We're moving klutzes along to professionals,” he said.

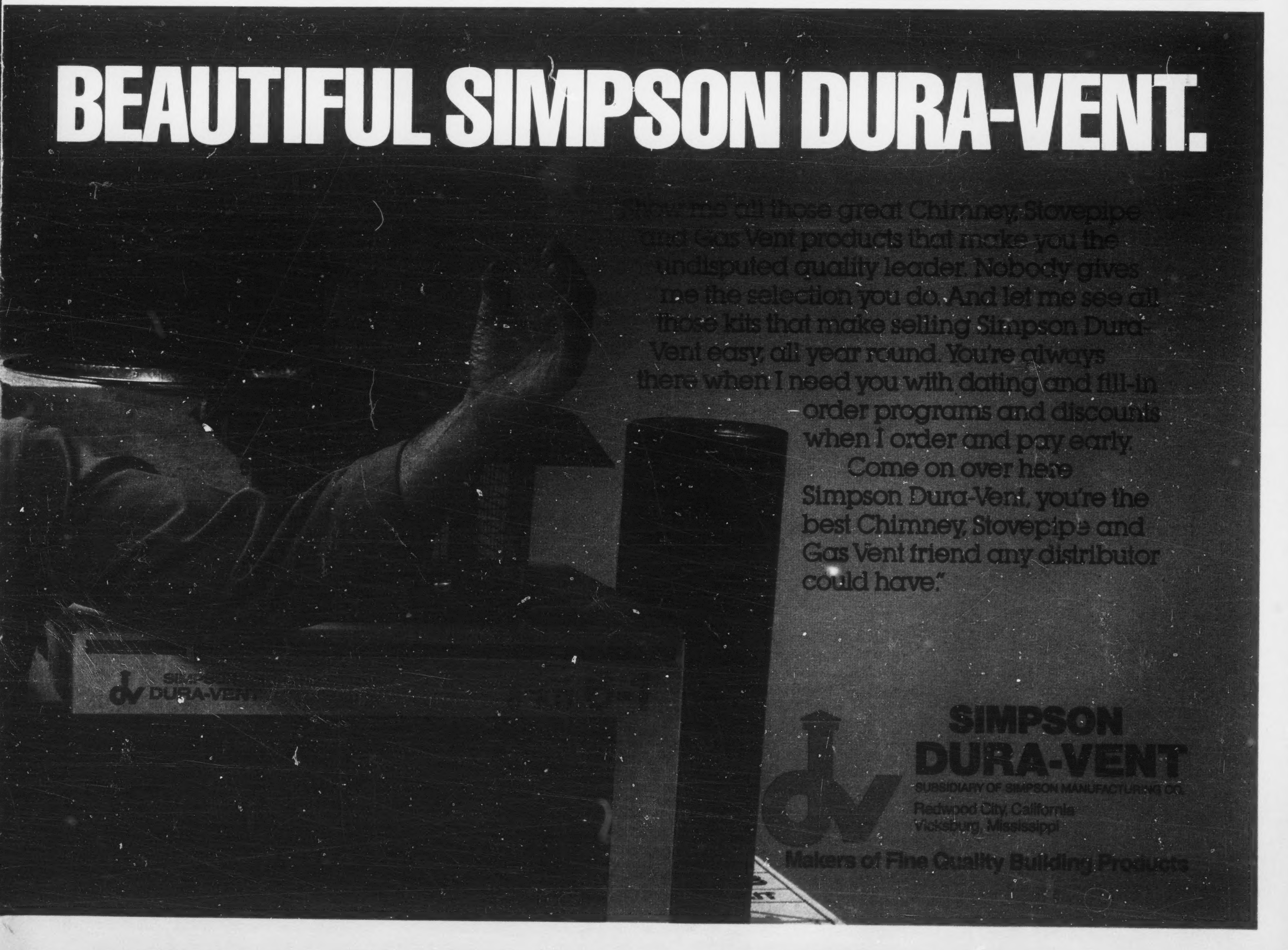
Marcus told a story about a woman who, over a period of three years, convinced her reluctant husband to purchase track lighting from The Home Depot and learn how to install it. Marcus stressed that the man now felt more accomplished and willing to take on other home improvement projects.

“We didn't take that customer from anybody else,” Marcus said.”

Judging from the interest in how The Home Depot operates and the strategy meetings about how to parry its effect, much of the rest of the home center industry does not see Home Depot, or warehouse stores generally, as simply market builders.

One of the more optimistic forecasts about how the industry will adjust to the emergence of warehouse stores was offered by another Marcus, Stanley. The founder of Neiman-Marcus and retailing statesman said:

“Some will do well because they offer superior quality of service. Others will do well because they offer the cheapest price. Someone will find a way of buttering the bread a little better.”


BEAUTIFUL SIMPSON DURA-VENT.

“Show me all those great Chimney, Stovepipe and Gas Vent products that make you the undisputed quality leader. Nobody gives me the selection you do. And let me see all those kits that make selling Simpson Dura-Vent easy, all year round. You're always there when I need you with dating and fill-in order programs and discounts when I order and pay early.

Come on over here Simpson Dura-Vent, you're the best Chimney, Stovepipe and Gas Vent friend any distributor could have.”

SIMPSON
DURA-VENT
SUBSIDIARY OF SIMPSON MANUFACTURING CO.
Redwood City, California
Vicksburg, Mississippi

Makers of Fine Quality Building Products

TV ad spending begins to level off

ADVERTISING

NEW YORK—Home centers last year spent nearly a quarter more on television advertising than they did in 1981, but the growth overall was comparatively smaller than that of years past.

According to statistics provided by the Television Bureau of Advertising, the 15 home center companies that made the largest commitments to television advertising in 1982 spent approximately $13.3 million altogether. The figure indicates a 23% increase over spending levels recorded in 1981.

However, statistics also show that the rate of increase for 1982 fell 10 percentage points below the growth of spending for the year before. According to TVB figures from 1981, home centers that posted top spending levels for television advertising increased their commitments by 43% (*NHCN*, May 24, 1982). Three years earlier, the top spenders had portioned out 48% more than in 1977 (*NHCN*, April 23, 1979). Only 1980 showed a smaller growth rate than last year's; spending for that period jumped 17% over the 1979 level.

Michael Shapira, executive vp at W. B. Doner, a Detroit, Mich., retail advertising firm, said the perceived slowdown in spending growth could reflect a maturation of television use within the home center industry. "Statistics from other segments of the retail industry, say department stores, might show a parallel phenomenon," Shapira said.

"Home centers are starting to come of age as retail stores, so more of them are using retail advertising," he added. "If you go back seven or eight years, you will find that there weren't many with advertising agencies."

Shapira could not guess why spending growth increased only by 17% in 1980. "But you can expect to find large growth when companies first move into television," he said. "[The increases] then seem to get smaller as [TV] becomes a part of everyone's ad mix."

Payless Cashways, which made its debut as a member of the top 15 television advertisers, ranking fourth, increased its commitment to the broadcast medium by an estimated 3,181%. The 110-unit home center chain from Kansas City, Mo., ended the year with about $1.3 million in television ads, a staggering climb from the $39,700 spent in 1981.

Other newcomers to the top 15 list included ninth-place Home Depot, whose spending increased by 137% to $904,000. Mr. Goodbuys, the three-store independent from Philadelphia, entered the list at 11th place with $569,000, an 85% increase over 1981. W. R. Grace's Handy Dan chain from San Antonio ended its first year in the 14th position after hiking television spending 53% to $441,000.

Sutherland Lumber fell short of industry expectations somewhat. Though the 75-store Kansas City, Mo., based chain posted the second largest spending increase in the top 15, the company did not take the No. 1 slot away from Builders Emporium. Sutherland's television expenditures rose 154% to approximately $1.7 million.

Wickes' Builders Emporium, with 62 stores based in Irvine, Calif., held the No. 1 position for the second year in a row. While upping its spending by 25%, BE became the only home center to rise above the $2 million mark. It ended the year with approximately $2.5 million in television advertising expenditures.

Three home center chains cut television spending in 1982, with Ole's leading the way. The Pasadena, Calif., company, with 33 stores, cut its expenditures by 22% to $964,000. Bob Mendes, vp of sales promotions, said the chain gained co-op funding from 75 manufacturers while the real cost of television commercials purchased increased 15% over the $1.2 million spent in 1981.

The highly coordinated advertising campaign initiated by Ole's last fall apparently proved less an advantage than the company originally anticipated. Wayne E. Smith & Assoc. Inc., the Los Angeles-based advertising firm hired for the campaign, was dismissed by Ole's executives as of April 1. Mendes said the home center chain has since hired another firm called Davis, Johnson, Mogul and Colombatto, which is now helping Ole's through a period of "creative soul searching."

Lowe's Cos. of North Wilkesboro, N.C., which was the largest television spender in 1980, cut its expenditures 12%.

Lumberjack Stores of Sacramento reduced its television spending to $434,000.

1982's top television advertisers

Chain	1982 expenditures	1982 No. of stores	1981 expenditures	1981 No. of stores	Per cent change
Builders Emporium (Wickes)	$2,471,900	62	$1,982,900	62	+ 25
Sutherland Lumber	1,687,400	75	664,900	74	+ 154
National Lumber	1,381,500	12	834,400	11	+ 66
Payless Cashways	1,302,800	100	39,700	86	+ 3,181
Plywood Minnesota	1,019,600	13	572,500	20	+ 78
Hechinger	983,600	34	685,900	31	+ 43
Ole's	968,700	33	1,240,000	32	− 22
Lowe's	943,700	235	1,075,000	229	− 12
Home Depot	903,900	10	380,800	8	+ 137
Pay 'N Pak	591,400	92	494,500	88	+ 20
Mr. Goodbuys	569,400	3	307,700	3	+ 85
Forest City	568,800	21	407,500	21	+ 40
Menard Cashway	498,800	22	446,500	21	+ 12
Handy Dan (Grace)	440,900	76	287,800	89	+ 53
Lumberjack*	434,400	7	520,600	6	− 17

*Lumberjack became part of the Payless-Furrows Cashway chain in January 1983

Source: Television Bureau of Advertising; *NHCN* chart

Home centers that made up 1982's 15-member list of top television advertisers included four new companies, among them Payless Cashways, the 110-unit Midwest chain which increased its commitment to the broadcast medium by 3,181%.

Chadwood...
We'll bet our price
is lower than the
panel door you're
currently buying.

Chadwood has 3/4" face mounted solid oak door frames & drawer fronts, a hand wiped "family-proof" finish, adjustable shelves in all wall cabinets, all wood drawers on lifetime nylon rollers, self-closing hinges, and antique brass door pulls. All standard! Chadwood is a top of the line cabinet at a rock bottom price . . . from the masters of high production cabinetry.
Kitchen Kompact, Inc., KK Plaza,
P.O. Box 868, Jeffersonville, IN
47130, (812) 282-6681.

Chadwood...
compare the
quality because
there's no
comparison to
the price.

Price guaranteed to Jan. 1, 1984.

HOME
CENTER

Home Depot: Sales gain pace-setter

NATIONAL REPORT—With an explosive opening of two units in Orlando, Fla., and continued sales growth in its Atlanta and Miami stores, The Home Depot was the industry vanguard in overall and DIY volume gains in 1982.

Store openings and/or acquisitions played important roles last year in the revenue increases at Payless Cashways, Somerville Lumber and McCoy's, and it appeared that Lloyd Lumber and Scott's have recouped from lackluster performances in 1981.

Company sales at chains like Handy Andy, W. R. Grace's Orchard Supply and Pergament, which are almost exclusively consumer-oriented, continued to shine in what was a modest year for the industry as a whole.

With the opening of its new 80,000-sq.-ft. units in Orlando, The Home Depot's sales rose 128% to $117.6 million last year, 100% of which were DIY transactions. So strong was the company's 1982 performance that it was pegged as one of the 10 most active stocks on the New York Stock Exchange by *The New York Times*, which earlier this year ran an article on the chain in its business pages.

The chain is on the verge of breaking new ground with two stores in New Orleans later this year, and expanding with additional units in Tampa, Fla. It remains to be seen what impact the company's assiduous promotions in southern Florida will have on the sales at the 100-unit Scotty's, Winter Haven, Fla.

DIY sales gains were aslo significantly up at the 39-unit American Maize Products, Stamford, Conn., which saw 40% growth to $56 million, or about 70% of its $80 million total. The company, which runs the Lloyd Lumber and Lundy-Briggs chains, showed a unit drop from 43 in 1981, and will probably close another store this year, according to marketing vp Pete Mueller.

Lloyd Lumber's DIY volume improved 25% to $35 million, while its total volume increased an impressive 35.1% to $50 million.

The $603 million Payless Cashways grew in total units to 100 in 1982, having built 11 new stores at a cost of $30 million and buying two Brookhart Building Centers in Colorado and one Dunlap's in Nora, Ind. These stores contributed to the chain's 26% jump in sales last year, of which an estimated 95% came from consumers. The company was on the move early in 1983, purchasing the seven-unit Lumberjack Stores in Sacramento for $26.5 million, opening a 24,000-sq.-ft. store in Plano, Tex., and a new 30,000-sq.-ft. prototype in Columbus, Ohio, one of three stores Payless will run in that market by mid-June.

Expansion was key in the growth of one of the quietest but most profitable companies in the industry, McCoy's Building Supply Centers in San Marcos, Tex. According to chain vp Brian McCoy, the company grew by five units in 1982 to 38, and its overall volume rose 29% to $129 million, of which close to 80% were DIY sales, placing McCoy's sixth among all home center chains in DIY sales percentage growth last year.

Company president Emmet McCoy told *NHCN* at this year's National Home Center Show that the chain would probably grow to 50 units in 1983, with total revenues of about $185 million.

While its store growth only went from one to two units, Somerville Lumber's new store in Westboro, Mass., showed every sign of being able to generate the same kind of remarkable volume the company gets from its flagship store. With the addition of the new unit, Somerville's total sales rose 36% to $34 million (the second store having a six-month sales history in 1982), with DIY volume growing 38% to $29 million. According to company executives, Somerville is currently in the process of constructing a third store, to be opened some time late in 1983.

After the Linthicum, Md.-based Scott's chain purchased the seven-store Frank's Hardware for $2 million in the fall of 1981, it took nearly nine months of renovation and inventory control, as well as the installation of upgraded merchandise, before those stores began to contribute to the chain's sales growth.

In 1982, Scott's efforts appeared to have paid off, as the 17-unit chain's overall volume grew by 32% to $28 million and its DIY sales expanded by 50% to $27 million, placing the chain in second place in this growth category.

(One of those internal merchandising measures in 1982 was the installation of a $5,000 greenhouse display in its Pasadena, Md., unit that retailed for $900 in kit form. Buyer Dick Fox said he hoped the store could sell one a month.)

Joe Jentis, president of Newark Steel, the Roseland, N.J., wholesaler, commented earlier this year that, despite the two-year long collapse in the economy, "chains like Rickel and Channel were still very profitable." His estimate of the 34-unit, South Plainfield, N.J., Rickel Home Centers held true last year, as that company's sales rose 23% to $230 million.

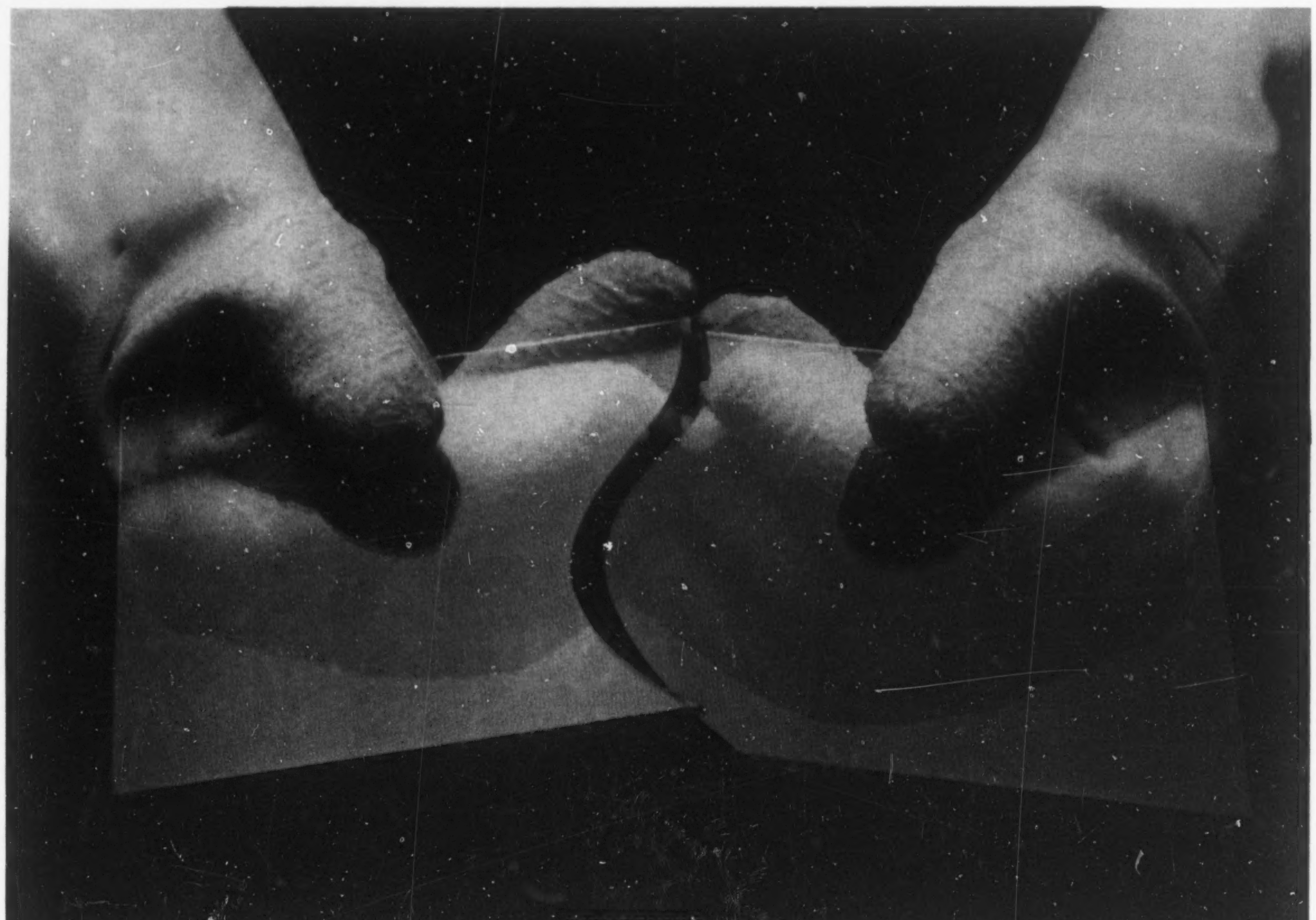
THE TOP 10

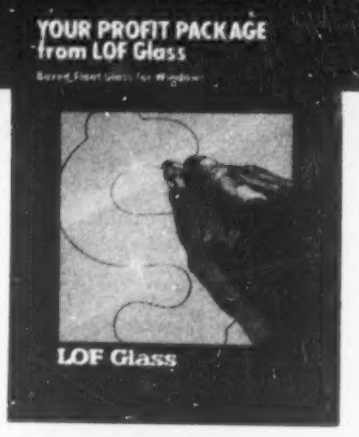
1982's top gainers by sales

Rank	Chain	1982 sales gain
1	The Home Depot	128%
2	Angels	80
3	Handy Andy Home Improvement	50
4	Somerville Lumber	36
5	Lloyd Lumber	35
6	Goodman Lumber	32
—	Scott's	32
8	McCoy's Building Supply	29
—	Orchard Supply	29
10	Pergament Home Centers	28

1982's top gainers by DIY sales

Rank	Chain	1982 DIY sales gain
1	The Home Depot	128%
2	Angels	80
3	Spenard's	53
4	Handy Andy Home Improvement	51
5	Scott's	50
—	Alexander Lumber	50
7	American Maize Products	40
—	Williams Bros.	40
9	Somerville Lumber	38
10	Goodman Lumber	32
—	Charles Meek Co.	32





We make LOF single- and double-strength window glass in 185 standard sizes. This is currently the largest published standard-size list. And our float glass is easy to cut cleanly, with a single snap.

That can mean you'll have less scrap from mis-cut glass to throw in the trash bin. Which should make you feel especially good, because you're taking the profit out of the trash bin and putting it back into your pocket, where it belongs.

And while you're increasing your profits, you're also giving customers better, more professional service.

For more information, call your local LOF Glass distributor. Ask for a copy of "Your Profit Package from LOF Glass."

LOF Glass
A Libbey-Owens-Ford Company

CUTTING'S A SNAP WITH LOF GLASS.

HOME
CENTER

Fastest grower leads in store count

THE TOP 10

NATIONAL REPORT—84 Lumber continued to outpace large retail groups like Evans Products, Wickes Cos. and W. R. Grace last year, and remained the biggest and fastest growing home center company in terms of store count.

The privately held chain grew from 350 to 370 units, an overall increase of 5.7%. 84's year-end store count was 9% greater than that of Evans Products, its closest rival at 341 stores. The chain overshadowed Wickes Cos. by 23% and W. R. Grace by 36%.

In terms of store openings, 84's 20 new outlets placed it well ahead of second-ranked Scotty's, which increased its unit strength to 98 by opening 15 additional stores.

84 Lumber apparently is looking forward to a year of greater expansion in 1983. According to reports, the chain plans to use a capital budget of $24.2 million to open 40 new stores by January.

84 Lumber and its unsurpassed growth turned out to be more the exception than the rule in 1982, however. The industry instead seemed to move toward entrenchment, with large and well-capitalized firms leading the way.

W. R. Grace, the New York-based parent company of Angels, Cashway, Channel, Handy City, Handy Dan and Orchard, was the only retail group listed among the 10 fastest growing companies in terms of store openings. Fifth-ranked Grace expanded its network by nine stores altogether, a 3.4% growth rate which brought its year-end unit tally to 273.

Store counts actually declined for Evans Products and Wickes Cos., according to reports.

Evans, Portland, Ore.-based owner of Alamo, Grossman's, Hubbard & Johnson, Lindsley and Moore's, reduced its number of units by seven to 341. The move came as the highly leveraged parent company announced plans to sell its retail division to raise funds to meet its debt obligations.

Wickes last April applied for the right to reorganize under Chapter XI of the U.S. Bankruptcy Code. After reviewing the conglomerate's diverse operations, a new management team decided that building material retailing would remain part of the new Wickes. Like the rest of the company, however, the building material segment would be leaner. The Santa Monica, Calif.-based parent of Builder's Emporium and Wickes Lumber at the same time cut its store count from 340 .

Store decline among the retail groups was reflected by statistics for the nation's top 100 home center chains, who reduced their number of stores from 4,196.

Payless Cashways of Kansas City, Mo., opened 14 stores, bringing its 1982 total to 100 units. The Midwest chain, which now operates through 110 outlets, built 11 stores, bought two units from Brookhart Building Centers of Colorado Springs and one from Dunlap's Home Improvement Centers of Columbus, Ind. The activity reflects Payless' plan to expand its square footage by between 15% and 20% each year. In terms of new store openings alone, the chain grew 16.2% last year.

Payless was followed by fourth-place Pay 'N Pak of Kent, Wash., which grew 11.3% by purchasing Bonanza Building Centers, the financially ailing 10-store chain from San Jose, Calif. Pay 'N Pak also opened four of its own outlets during the year.

Tenth-place Spenard's Building Centers of Anchorage, Alaska, led the home center industry in terms of growth rates, however. The company expanded its arctic operation by 45.4% with the addition of five stores. Before 1982, Spenard's had encompassed only 11 units.

Handy Dan's nine-store increase generally did not reflect the addition of new stores, however. The 76-unit chain from San Antonio drew outlets from a regional reorganization initiated by its parent company, W. R. Grace.

Lanoga's five-store expansion sprang from the Seattle company's acquisition of Lumberman's of Washington. Lanoga has since purchased eight retail stores from Williamette Industries Inc., a lumber manufacturer from The Dullas, Ore. According to company officials, Lanoga plans to organize a dominant Northwestern chain using its Lumbermen's and Williamette acquisitions as a springboard. The company also owns Spenard's and United Building Centers.

Largest chains by store count

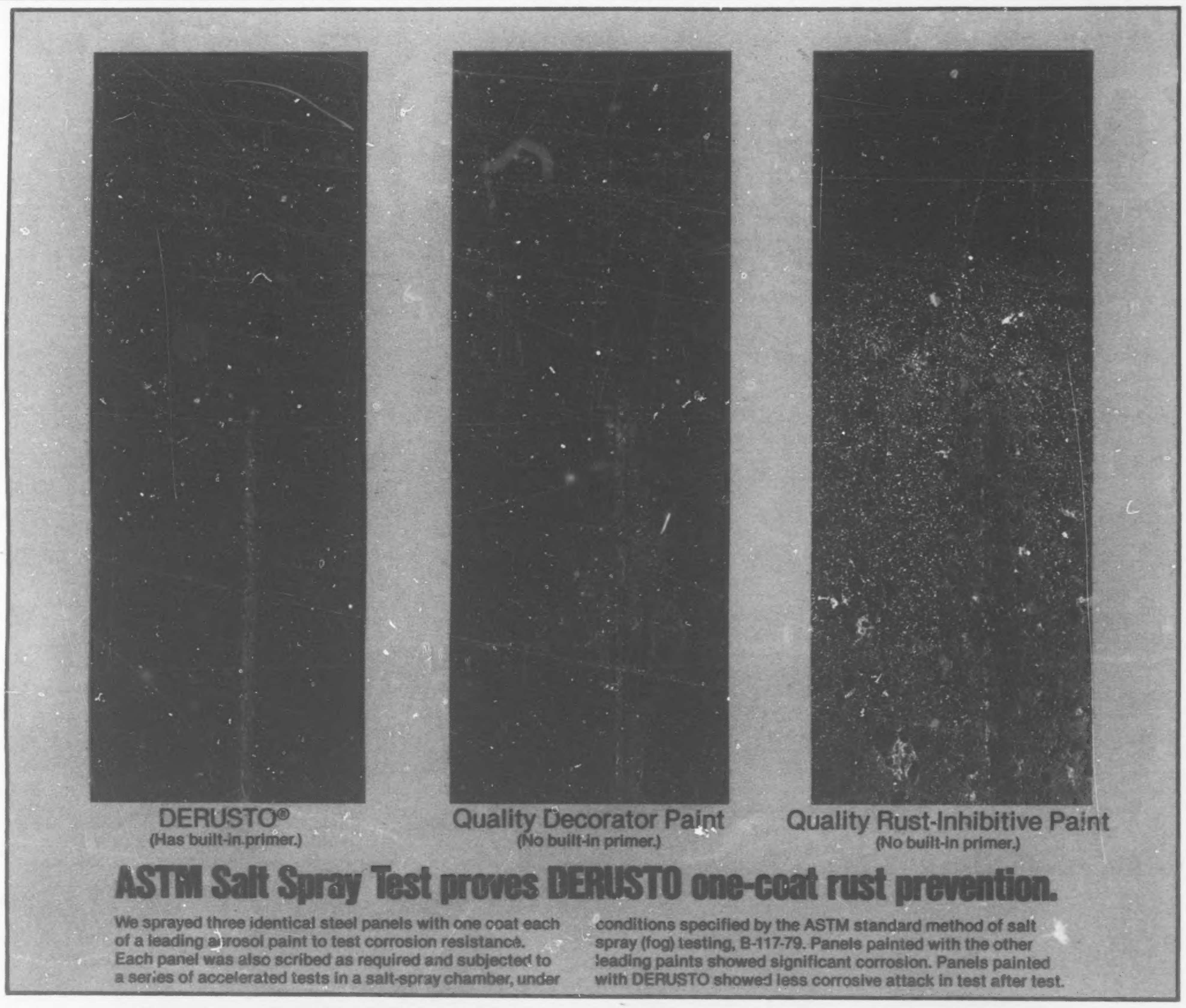
Rank	Chain	No. of stores
1	84 Lumber	370
2	Evans Products	341
3	Wickes Cos.	301
4	W. R. Grace	273
—	Wickes Lumber (part of Wickes Cos.)	239
5	Lowe's	235
—	Grossman's (part of Evans Products)	199
6	Carter Lumber	130
7	Lanoga	122
8	Diamond International	119
—	United Building Centers (part of Lanoga)	108
9	Great Plains Supply	101
10	Payless Cashways	100

84 Lumber increased its total number of stores to 370 last year, thus raising its lead in total stores over Evans Products and Wickes Cos. which both reduced total store count in 1982.

Fastest growers by 1982 store openings

Rank	Chain	Stores added during 1982
1	84 Lumber	20
2	Scotty's	15
3	Payless Cashways	14
4	Pay 'N Pak	10
5	W. R. Grace	9
—	Handy Dan	9
6	Lowe's	6
—	McCoy's Building Supply Centers	5
8	Lanoga	5
—	Spenard's	5
—	Diamond International	5

Four companies opened 10 or more home centers each during 1982, defying the state of the economy. 84 Lumber, which is the leader in terms of total number of stores, led the fastest growers.



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THE NHCN ANNUAL REPORT

Top ten in sales per store

NATIONAL REPORT—Large store size, wide selection and expert salesmanship seem to be the keys for attaining top per-store volume in the home center industry.

These three areas characterize both the top 10 overall sales per store producers and the top 10 companies in DIY sales per store.

In fact, eight of the companies ranked among the industry's top 10 in overall sales per store are also top in DIY sales per store.

The chains and independents that made both charts are All American Home Center, Somerville Lumber, Dixieline Lumber, Hubbard & Johnson, The Home Depot, Sackett & Peters, Lumberjack and Menards.

The size of these high volume stores tends to be large, with 40,000 sq. ft. about the average for the group. The No. 1 home center on the chart, All American Home Center, Downey, Calif., has 140,000 sq. ft. of selling area.

The average number of sku's per store in these high-volume home centers is close to 30,000. Several have an even wider selection of sku's, such as All American with 65,000; Somerville, 37,000 and Sackett & Peters, 35,000.

The top 10: Sales per store

Rank	Company	No. of stores	Sales per store (millions)
1	All American Home Center	1	20.00
2	Somerville Lumber	2	17.00
3	The Home Depot	8*	14.70
4	Dixieline Lumber	5	14.00
5	Hubbard & Johnson	4	13.75
6	Star Lumber	3	12.33
7	Sackett & Peters	2	10.00
—	Weyerhaeuser (includes Dixieline)	10	10.00
9	Lumberjack	7	9.28
10	Menards	22	9.09

*excludes two stores opened last week of fiscal year ended Jan. 30

Included in the Top 10 listing of sales per store for 1982 were All American Home Center, Downey, Calif., with $20 million in sales in its single unit, while Somerville Lumber, Somerville, Mass., averaged $17 million in volume at its two outlets.

THE TOP 10

It also appears that a good staff of experienced salesmen is essential for high volume and turnover—particularly where DIY sales are concerned.

The stores that are ranked one and two for both overall sales and DIY sales on a per-store basis both have a reputation for employing skilled, experienced sales help.

No. 1 All American Home Center is a 100% DIY store, whereas Somerville Lumber, No. 2, gets 15% of its sales from contractors. But both home centers employ salesmen with many years of expertise.

Harold Cohen, vice president of Somerville Lumber, can point to four employees who have been with the firm since its inception 28 years ago.

Somerville's staff and selection have overcome some physical limitations that the chain works around at its headquarters store. In spite of very limited parking facilities, the headquarters Somerville Lumber store accounted for the lion's share of the two units' sales in 1982, since the Westboro store has only been in operation for about six months. In fact with sales of $28.5 million, the Somerville store would top the chart if it stood alone.

Somerville, which has been in business since 1956, has maintained a location in Somerville since 1977.

Lumberjack, the seven-store Sacramento, Calif., chain acquired last year by Payless Cashways, outperforms its parent on a per-store basis, as well as DIY sales volume per store. The stores operate with about 70 employees at peak selling times, and Lumberjack boasts at least four stores that produce $1 million per month in sales.

The Home Depot's sales per store averaged $14.7 million in 1982, not counting two stores opened in Orlando, Fla., during the last week of fiscal year ended Jan. 30.

In addition to selection and service, Home Depot stresses pricing in its high volume formula, accepting lower-than-normal margins on some products like commodities.

Dixieline Lumber is also known for its low prices. In 1982, the five-store operation arranged to buy its building materials through its parent company Weyerhaeuser, allowing the chain to pass on the price advantage to its customers.

In addition to large store size, wide selection, expert salesmanship and, in some cases, very competitive pricing, high volume also seems to be a function of small chain size.

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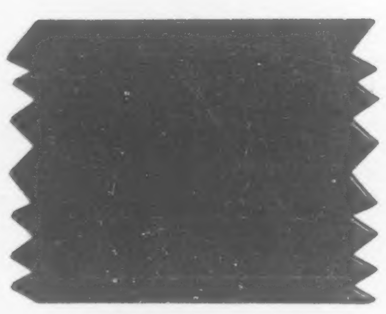

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Warehouse-style or not, retailers design strategies to build turns

NATIONAL REPORT—One of the central characteristics of warehouse-type home centers is that they are designed to increase turns, even at the expense of margins.

The Home Depot, for example, has achieved annual turns of 5.5 to 6, according to Bernie Marcus, chairman. Results like this have generated great industry interest in the warehouse approach.

Still, most home centers are not of the warehouse variety. And while this new phenomenon intrigued building material retailers last year, they also used other strategies to build turns.

The merchandising section of this *NHCN* annual report on the home center industry explores some of the ways retailers attempted to build turns and generally strengthen their stores in these categories: plumbing, electricals, hardware, tools, lumber, building materials, paint and lawn and garden.

Promotions, inventory levels and product mix were adjusted in some cases. Others switched

(Continued on page 43)

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STANLEY DELUXE
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special as advertised
windshield washer anti freeze
2.49
special 1.69

Garage door openers, promoted for better than $60 off, lined an aisle near the checkouts of a Beaver Lumber outlet in North York, Ontario, last fall. The store utilized bulk merchandising for several products including windshield washer fluid.

NHCN photos

The NHCN Top 100

(Continued from page 15)

DIY volume and totaled $407 million in annual volume that year. Now, thanks in part to the acquisition of Handy Dan/Angels and Cashway, El Paso, Tex., the company has more than doubled total volume to $875 million in 1982 to help solidify its No. 1 ranking in consumer sales.

Payless Cashways ranked No. 4 in DIY volume in 1978. In 1982, it moved to the No. 3 slot, but even that move is deceiving.

In 1978, Payless did $248 million in 60 stores. Last year, it did $603 million in 100 stores and threatens to grow even more dramatically in the future, especially after its acquisition of Sacramento's Lumberjack Stores last January.

Lowe's will remember 1982 as the year it surpassed the $1 billion sales figure, only the second home center company to do it. Lowe's DIY percentage of total sales, thanks to its RSVP store format, has grown from 40% in 1978 to 55% last year.

Hechinger grew in sales from $111.2 million in 1978 to $241 last year.

Other home center companies suffered through the period.

Boise Cascade has seen a roller coaster-type effect in its home center business as a result. The company had 54 units in 1978, grew through acquisition and internal expansion to more than 100 soon thereafter and now has settled in at 93 outlets.

Wolohan Lumber was about to reach its $136 million sales peak in 1979, but because of the recession, it has failed to reach the $100 million mark since.

But, positive change has come to such privately owned companies as Pergament Home Centers and smaller chains like Scott's, Linthicum, Md.

Pergament reportedly did $85 million in sales in 1978, but last year was estimated to have done $160 million in fewer but larger stores.

Scott's took Frank's DIY Hardware off the home center map by acquiring the chain in 1981. Scott's now has 17 stores doing $28 million vs. eight stores doing about $15 million in 1978.

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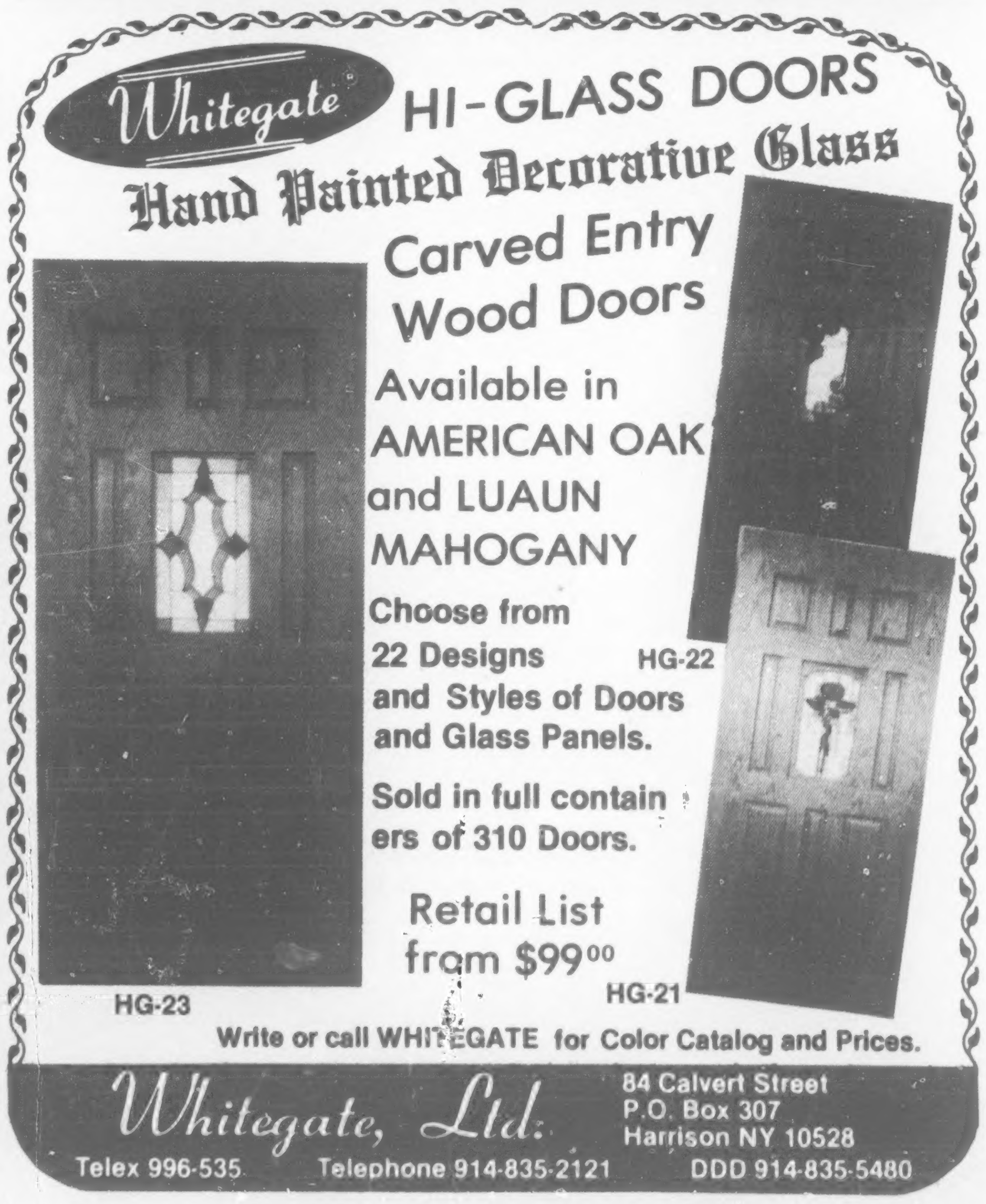

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Home centers aim to build turns

(Continued from page 41)

to more bulk merchandising, although in several cases the warehouse-type approach was nothing new.

Levy's Lumber and Building Centers, Louisville, Ky., started bulk displaying of goods as far back as 1970 and is now doing more of it, with a planned major remodeling that will incorporate the bulk look in all three units.

"We feel this is what the public wants," explained Philip Levy, president. "People seem attracted to it maybe because of the economy. They feel they're getting bargains when they see such displays."

MERCHANDISING

Grace-owned chains have been incorporating the bulk method, possibly as a result of Handy City's difficult experience against The Home Depot in Atlanta.

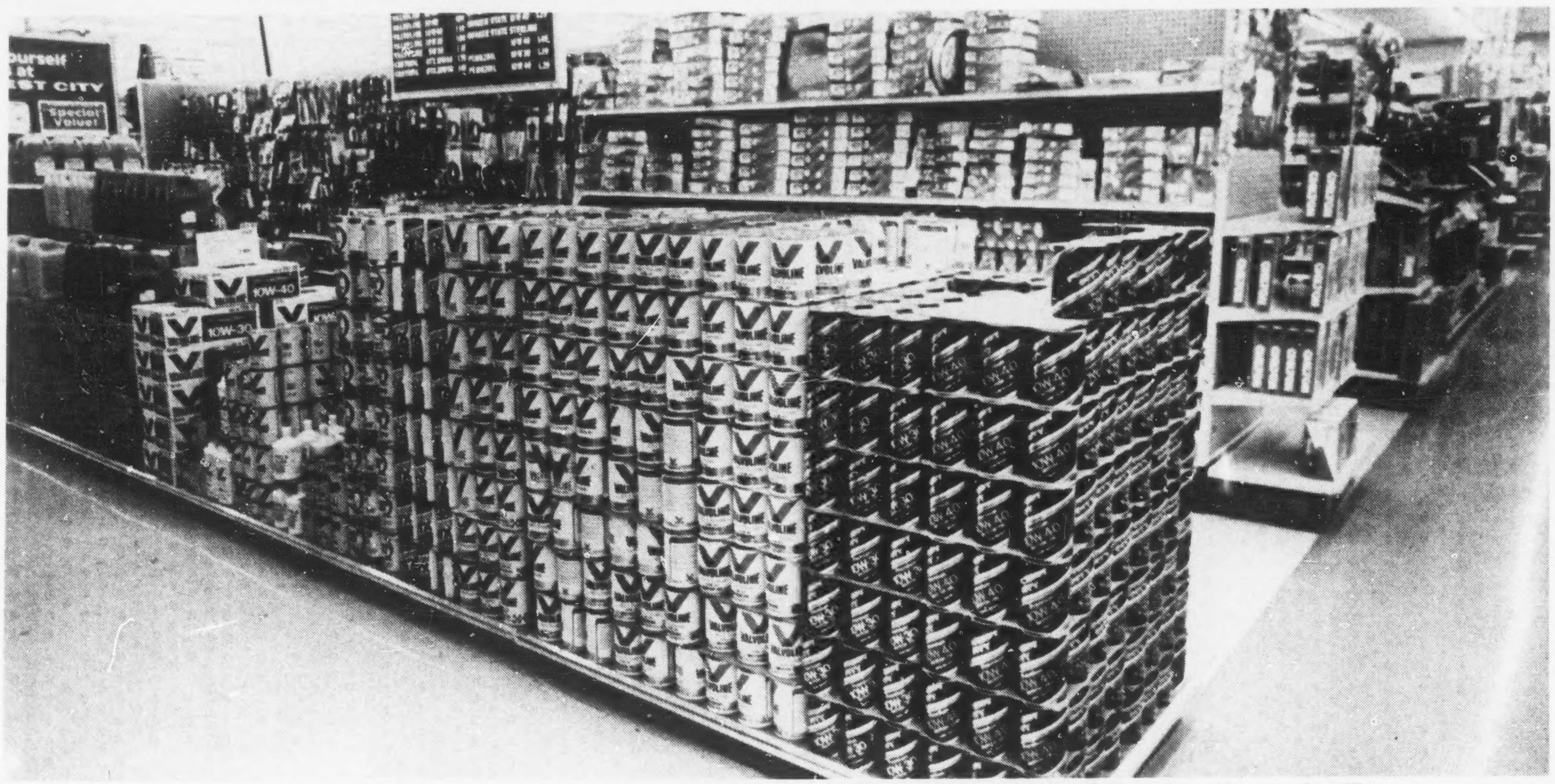
Handy City tried to beat The Home Depot at its own game in Orlando, Fla., before the original warehouse store made its debut there in January. Handy City spent the end of 1982 remodeling four Orlando units to include bulk stacking of some fast-moving goods near the front of the stores and is currently doing the same at its Atlanta outlets.

Handy Dan has also adopted the bulk merchandising technique for seasonal products. And Grace executives spent much of last year devising House Works, a new chain launched this March to capitalize on the public's affair with warehouses.

When Pergament Home Centers opened its doors in Connecticut last fall with a store in Norwalk, it showed more mass displays for fast movers and for merchandising in a slightly smaller facility than normal, officials said (*NHCN*, Nov. 22, 1982). Other Pergament stores are getting similar bulk treatment.

"The economy dictates the procedure," related Charles Sullivan, general merchandise manager at 17-unit Scott's, Linthicum, Md. "We have to think price and show our customers the values we have. Once we get them into the

(Continued on page 44)



Automotive goods, such as motor oil and antifreeze, are suitable for bulk merchandising's simple stacking and selling. NHCN photo

Bulk displays of locksets, work benches and garage door openers are shown near the front of a Pergament Home Center in Norwalk, Conn. NHCN photo

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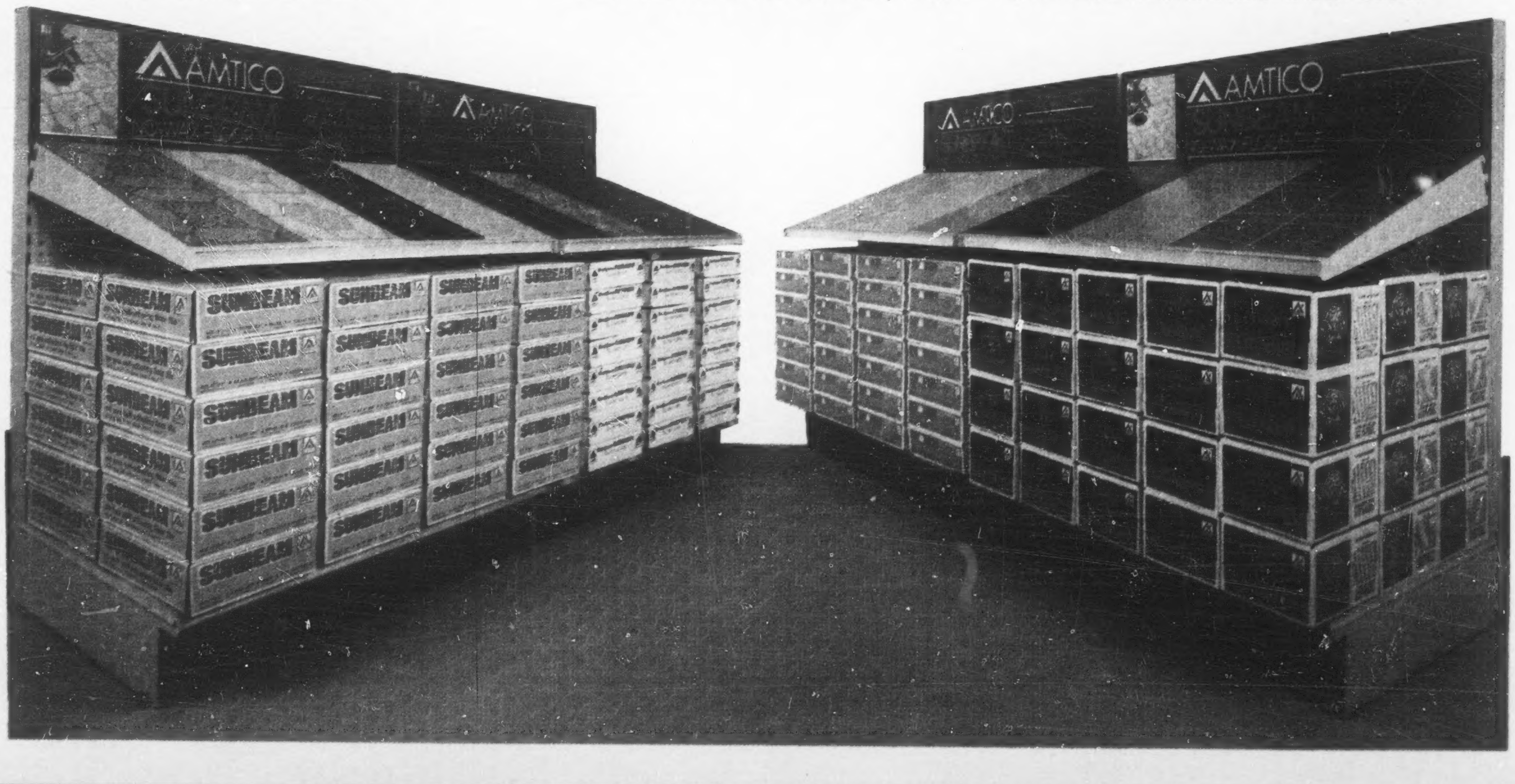
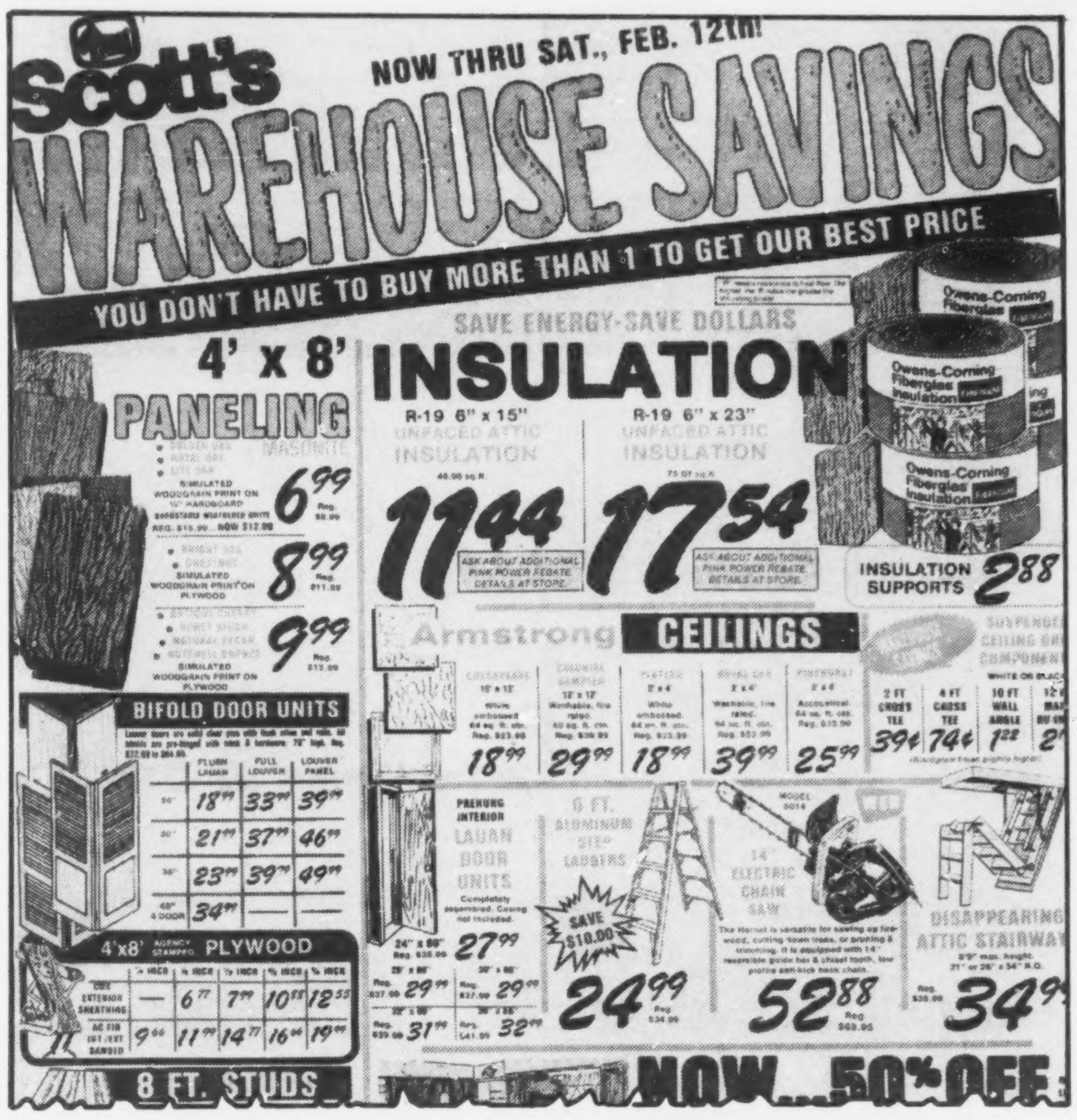


HOME CENTER

Retailers aim to build turns


Scott's
NOW THRU SAT., FEB. 12th!
WAREHOUSE SAVINGS
YOU DON'T HAVE TO BUY MORE THAN 1 TO GET OUR BEST PRICE
4' x 8' PANELING
MASONITE
6 99
8 99
9 99
SAVE ENERGY-SAVE DOLLARS
INSULATION
R-19 6" x 15" UNFACED ATTIC INSULATION
11 44
R-19 6" x 23" UNFACED ATTIC INSULATION
17 54
ASK ABOUT ADDITIONAL PINK POWER REBATE DETAILS AT STORE
Owens-Corning Fiberglas Insulation
INSULATION SUPPORTS 2 88
Armstrong CEILINGS
18 99
29 99
18 99
39 99
25 99
39¢
74¢
1 22
BIFOLD DOOR UNITS
4'x8' AGENCY STAMPED PLYWOOD
PREHUNG INTERIOR LAUAN DOOR UNITS
27 99
6 FT. ALUMINUM STEP LADDERS
SAVE $10.00
24 99
14" ELECTRIC CHAIN SAW
52 88
DISAPPEARING ATTIC STAIRWAY
8 FT. STUDS
NOW...50% OFF

Scott's is using more of the bulk merchandising technique and tying it into newspaper advertising where it promotes "Warehouse Savings."

(Continued from page 43)

store, we want to show them price and quality. These displays show you mean business."

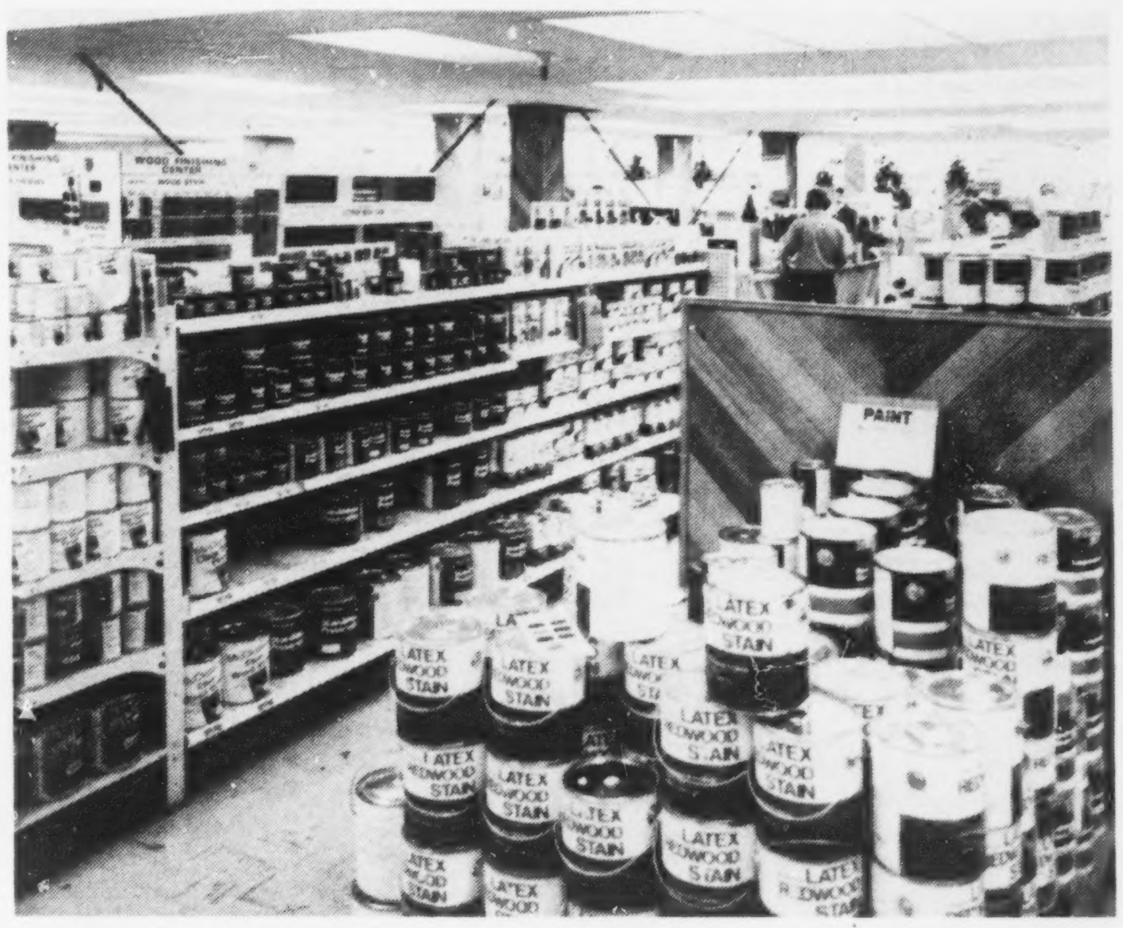
Scott's began concentrating on bulk merchandising a year ago and even has adopted the slogan "Warehouse Savings" in its advertising.

Sullivan said the bulk displays will show items that are often replenished by customers, including light bulbs for 25¢ each, motor oil for 75¢ per quart and paint for $2.99 a gallon.

The displays involve stacking items on 4-ft. by 4-ft. pallets near the front of the stores, but Scott's officials also try to put such displays near appropriate departments, he added.

The movement has spread to Canada as well, particularly in Beaver Lumber outlets.

Director of merchandising Margaret Smyth said the 185-store chain has bulk merchandised product since she joined the company a year and a half ago. At Beaver Lumber, the key to the displays is tieing them in with promotions.



Bulk stacking of latex redwood stain makes up one of the endcaps leading into paint department at Builders Emporium's Van Nuys, Calif., store.

NHCN photo

"The technique attracts attention," Smyth explained. "It helps highlight a department and gives items a value image."

While Edwin Grimes, president of five-unit Handyman Home Centers, Fairborn, Ohio, stresses that bulk merchandising is not a new phenomenon, he swears by its effectiveness.

"Sears and the specialty stores have done it with paint for years," he said. "It gives the customer the impression of a bargain, creates excitement and attention and instills a sense of professionalism. People see a bulk display and they say 'Boy, look at all they have.'

"This time of year [spring] is a natural for it when you're selling fertilizer, wheelbarrows, spreaders and sprayers."

Other dealers agree that although bulk displaying is not new, The Home Depot's performance may be making others more aware of it.

"Their success has led people to think about it more," Levy said.

"I wouldn't deny The Home Depot's influence," another dealer said. "People would be silly if they didn't copy a successful thing."

CALENDAR

May 6-10
American Hardware Supply Co., Winter Merchandise Market, Baltimore Convention Center, Baltimore.

May 15-18
National Kitchen Cabinet Assn., 28th Annual Convention, Del Monte Hyatt House, Monterey, Calif. 703-237-7580.

May 15-18
National Forest Products Assn., Spring Meeting, L'Enfant Plaza Hotel, Washington, D.C. 202-797-5800.

May 18-20
Southern Forest Products Assn., Midyear Meeting, Hyatt Regency, New Orleans. 504-443-4464.

May 21-23
United Hardware Distributing Co., Merchandise Show and Convention, Minneapolis Auditorium & Convention Hall, Minneapolis, Minn. 612-559-1800.

May 21-24
HWI May Market, Indiana Convention-Exposition Center, Indianapolis, Ind. 219-749-8531.

May 22-24
Western Building Material Assn., All Industry Management and Marketing Conference, Eugene Hilton Hotel, Eugene, Ore. 206-943-3054.

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Dealers seek new plumbing lines

MERCHANDISING

NATIONAL REPORT—While home centers trimmed plumbing sku's in 1982, carrying only those fittings and fixtures that demonstrated strong turnover, inventory levels remained even or were increased, an indication that dealers are still looking for new products.

"We haven't had to reduce inventory too much over the past year, and we're pretty satisfied with our turns and service levels out of our warehouse," said Dale Denniston, buyer for the 100-unit Scotty's, Winter Haven, Fla., which carries $2 million worth of plumbing inventory, 900 sku's and turns the department in excess of five times annually, at average margins of 35%-40%.

"You can increase your turnover by reducing inventory, but if you're occasionally out of stock, your consumer image declines," he said.

This was also the case last year at the 21-unit, Ogden, Utah, Anderson Lumber which, over the past two years, has attempted to boost consumer sales (it is in the process of constructing a new 40,000-sq.-ft.). Merchandising vp Bob McHale said the chain recently took on a sprinkler system program and will carry a more extensive line of fixtures from Artesian, the Mansfield, Ohio, manufacturer, which will possibly increase the chain's overall plumbing fixture inventory by "25%-50%," he said.

Currently, the chain stocks between $100,000-$200,000 worth of plumbing and turns the products four-five times a year, a slight improvement over 1981, McHale said. "Even though we're using more loss leaders than ever in our promotions, our margins haven't been affected too badly because we are buying at the best price available from whomever we can." (Anderson's plumbing margins ran 35%-40% in 1982.)

Scotty's Denniston agreed. "I react to what our store requirements are, and we're simply anticipating better what plumbing products we'll need at different times of the year," he said. "Better buying means better turnover."

According to Bob Dell, vp-sales for Melard Mfg., Passaic, N.J., retailer buying decisions are being influenced more frequently by elaborate sales and turnover data companies like his are able to provide.

"Retailers are faced with an ever-increasing number of sku's in plumbing," he explained, "and if they don't get some direction, they wind up carrying stuff that nobody is buying anymore."

Melard, which sells to such chains as Hechinger, Forest City, Handyman, Pergament and Rickel, maintains a key customer list based on turnover and sales. "We use certain factors of comparison to show dealers what's turning and current around the country, and help them develop a program consistent with their philosophy," he said.

Dell noted that most home centers were no longer backstocking any carded plumbing, and were carrying only the most basic items. "Retailers realize that breadth of assortment does not always mean more sales." He added that a typical dealer should only have to trim about 5% of his slow-moving sku's in order to improve turnover.

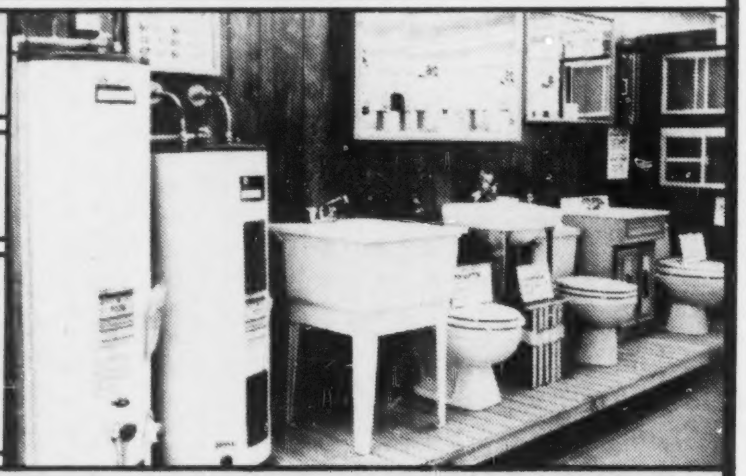
This does not mean, though, that dealers are shying away from new product lines in their plumbing department. The 18-unit O'Malley Lumber, Phoenix, recently hired a new plumbing/electricals buyer, and has been adding greater depth to its department, which currently stocks $750,000 in plumbing.

PLUMBING, HEATING & COOLING

$ Sales/Sq. Ft.
136.39

Gross Margin
34.3

Sales to Inventory Ratio
5.1x



Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

However, even though sales were up in 1982 by 10%, the department's turnover rate was only three times annually, below what it had been in the past. "I was surprised, when we looked at it, that our plumbing turns weren't better," said retail sales manager Paul Conley, who attributed the decline to "intense competition" and "some sloppy buying on our part."

Conley felt that the most important factor behind turnover improvement was the ability by the retailer to "identify the problem by product line, and see what can be done in terms of price, presentation or promotion."

He noted that, in 1983, O'Malley's would be promoting "a broader assortment of plumbing products" (mostly noticeably in the fixtures line). "If you can improve your turns by half a percentage point, you've done your job," Conley said, who conceded that improving turns while maintaining respectable gross margins was still "difficult."

Conley's comments about being aware of a plumbing product's problems from a pricing, display or advertising standpoint were echoed by Don Burgess, national sales director for Peerless Faucet, Indianapolis, who explained that one of the tested ways of increasing turns was to display the product—in this case, faucets—more clearly.

"We've done several studies that show that plumbing sells at a faster rate when the product is displayed so that consumers can understand the differences in quality and price," he said.

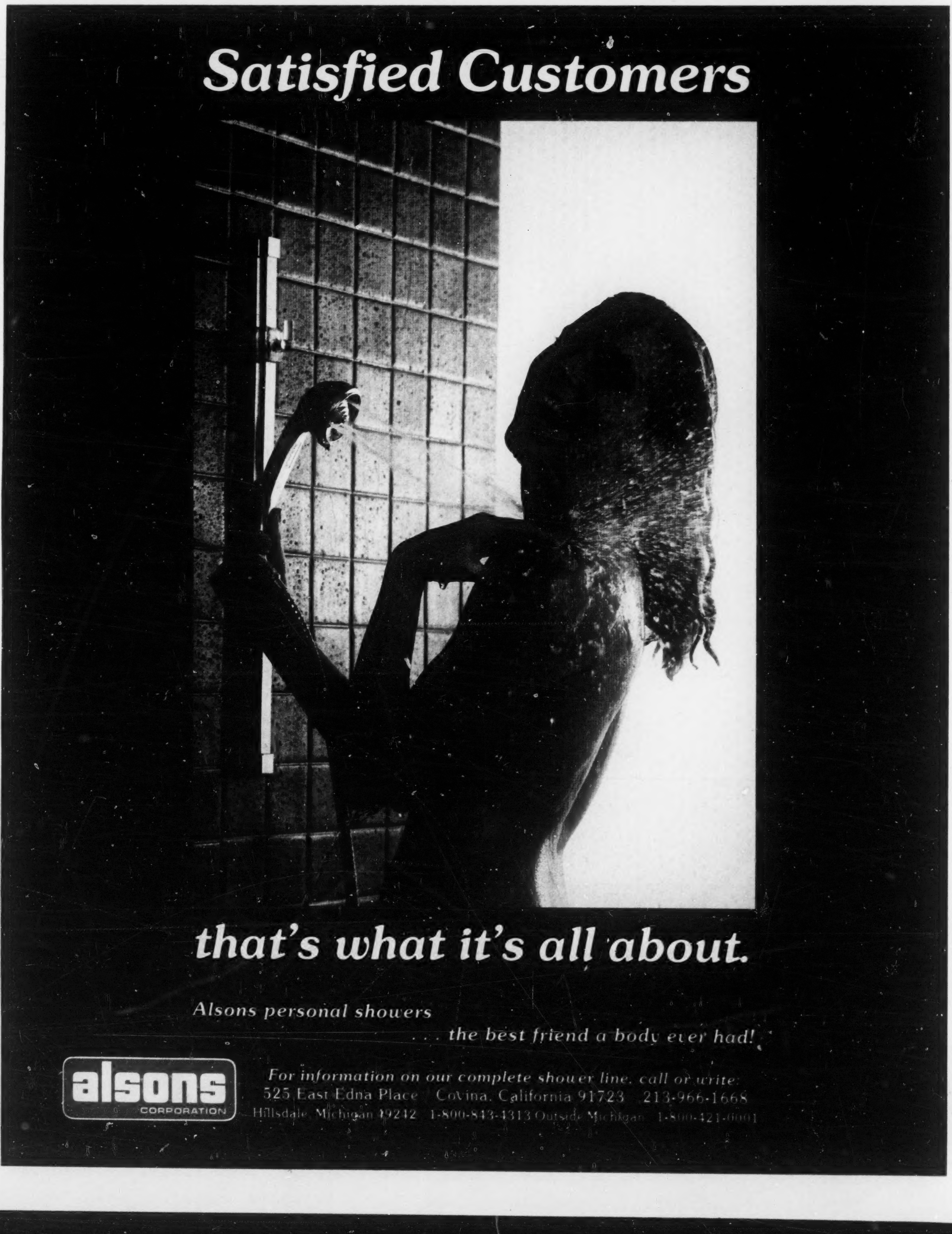
Burgess also said that retailers hooked into Peerless' expanded national television advertising program—which two months ago was quadrupled to $2.3 million—could reasonably expect their turnover to expand as well.

"The DIY market for fauc ts is expanding, and our adver s-ing is stimulating that growth by showing how easy it is to install the products," he said. Burgess noted that he hadn't seen any marked inventory cutbacks among retailers, but said it was evident that "they are, in many cases, looking to cut back on faucet sku's."

He added that dealers should be able to get a six-time turn on faucets.

Product turnover when weighed against higher margins could be of secondary importance to dealers of higher-end fixtures, though. Bob Jewell, director of consumer products for Kohler Co., Kohler, Wis., said he had not heard from many re-

(Continued on page 46)



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HOME
CENTER

Lower markup strategy for lighting

NATIONAL REPORT—The home center lighting market became the target of aggressive pricing strategies last year, as retailers sought to increase sales volume by offering customers competitive everyday prices.

Chains like Dixieline, Stambaugh-Thompson and Payless Cashways were among a number of home center companies that avoided the high markup strategies used by some to encourage the perception of large savings during price reduction periods.

Michael Bryant, a lighting buyer at the Dixieline Lumber Co. of San Diego, said his company began to add more high-end merchandise to its stores after changing vendors half way through 1982. "We decided to sell the merchandise at 50% off the manufacturer's list price," Bryant said in a recent interview, "and although our margin came out lower, sales went up."

Bryant estimated that the five-unit California chain received an overall margin of 30% on lighting fixtures. However, the items themselves were being offered at prices well below those featured in lighting showrooms. The strategy generated enough added business to create a noticeable increase in the year-end profit, Bryant said.

Conrad Thompson, lighting buyer with Stambaugh-Thompson Lumber Co. of Youngstown, Ohio, said competitive pricing offered on a continuous basis provided his lighting department with an overall growth rate of 10%.

"We didn't over price and then offer huge reductions during sales," Thompson said, "but when we featured lighting fixtures in an advertisement, it meant the customer was getting even more of a savings than he did on our everyday prices."

According to Thompson, the pricing strategy still allowed the chain to enjoy an overall lighting margin of about 40%.

The buyer also said he was forced to reduce the inventory of chandeliers because of sluggish sales in that high-end product category. As in the past, basic incandescent fixtures, sold traditionally as replacement items, made up the largest portion of the chain's lighting department.

Thompson said the products gained market exposure from cabinet and vanity displays that included incandescent fixtures as lighting components. Newspaper and circular advertisements also included the fixtures as tie-in items for remodeling and redecorating projects.

Payless Cashways, the 110-unit chain based in Kansas City, Mo., reported increased lighting sales of 33% for products like decorative fluorescents. While those fixtures were said to be the hottest-selling products in home center lighting departments last year, Payless also logged sizable gains in the incandescent and outdoor lighting categories.

John Breedlove, the firm's merchandising vp, said sales in all three categories totaled $12 million in 1982. Incandescents took the largest portion at $7 million, while fluorescent, and flood and security fixtures followed with sales of $4 million and $1 million, respectively.

MERCHANDISING

Much of Payless's marketing system for lighting fixtures comes from its relationship with the Diamond F Corp. Bill Sparker, sales vp for the Cleveland manufacturer, said the company offers six-month product reviews during which time sales representatives help retailers determine those products selling and those not selling.

Customers also receive promotional recommendations on price points and advertising, tailor-made lighting displays, and damage-resistant packaging that includes installation instructions.

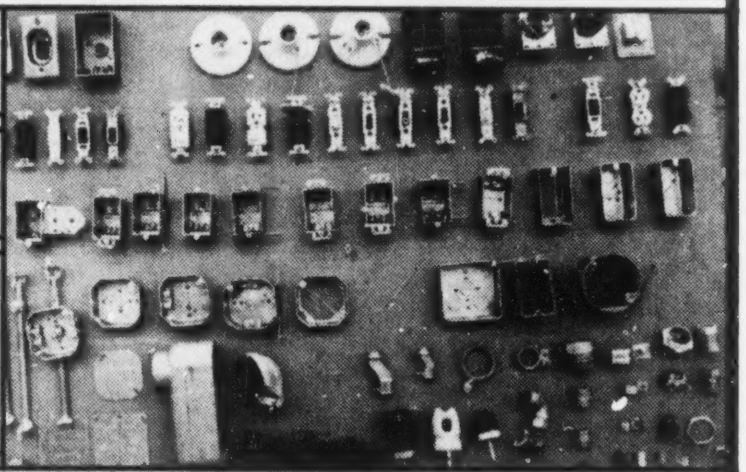
Scotty's of Winter Haven, Fla., another Diamond F customer, last year began stocking light fixtures in the same area that they are displayed. Electrical buyer Bernard Perkins said overall sales for his department increased 23% to 25%. He attributed much of the gain to the addition of telephones and telephone accessories, however.

ELECTRICAL SUPPLIES

$ Sales/Sq. Ft.
121.29

Gross Margin
36.1

Sales to Inventory Ratio
5.0x



Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

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Plumbing

(Continued from page 45)

tailers who were overly concerned with improving the turnover of their fixture lines.

"We conclude from this that, on higher margin plumbing products, which is the category our line falls into, the profitability of the product is more important to dealers than improving turnover," he said. "I think turns draw more attention from dealers in their fittings lines, which have lower margins."

As dealers and manufacturers seek solutions to the constant dilemma of maintaining fast-turning, high profit plumbing fare, one trend appears to be emerging: an increasing number of dealers are experimenting with bulk merchandising in their plumbing and bath departments.

At the two unit Hal's Lumber and Hardware, Milwaukee, Wis., for example, vanity sku's were increased from 12 to 45, all the stock was moved onto the sales floor, and the vanities were stacked and sold in their cartons.

"We originally thought we'd get some static from our customers about having to buy the product out of a box," explained vp-merchandising Tom Gritz, "but it didn't happen, and our vanity turns have been much faster because of the overall lower price of the product."

Gritz said 12 vanities were still shown in a bathroom vignette setting.

At the 33-unit Wolohan Lumber, Saginaw, Mich., vp-merchandising George Poulos said the chain would "probably do quite a bit of bulk merchandising of faucets," and is looking to strike a balance between bulk and standard displays. "In proportion to the size of our stores," he said, "we'll probably be giving plumbing a lot more room this year."

Melard's Dell, in speaking about bulk merchandising, insisted the major difference was in the buying, not the depth.

Dealers try direct buy of hardware

NATIONAL REPORT—In 1982 five-unit Goodman Lumber bought about 60% of its hardware stock directly from manufacturers, up from 50% only a few years ago.

"We've worked with our distributors and have convinced them we'll be best served by their acting as fill-in suppliers," said chain secretary/treasurer Charles Goodman.

The San Francisco-based chain—which stocks an estimated $1 million worth of hardware in departments ranging up to 3,000 to 3,500 sq. ft., and turns the merchandise eight times a year—is but one of several home centers that have found direct buying to be a successful ingredient in their efforts to increase product turnover.

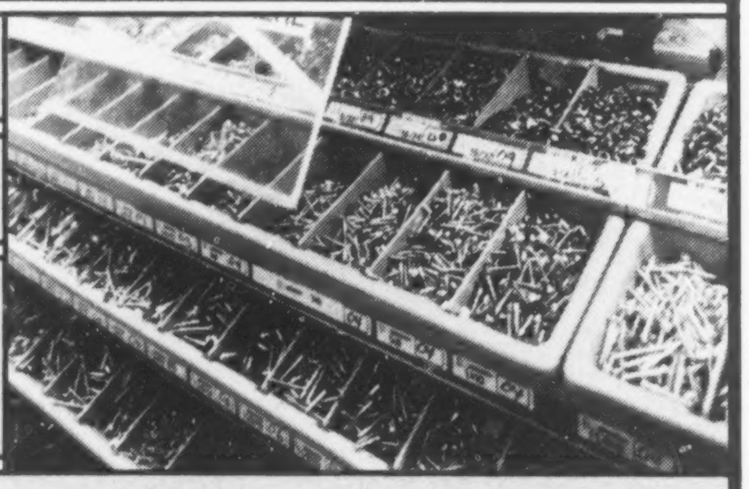
"We've tried to strike a balance between buying direct and taking products on a two-step basis," said Bob Sanderson, merchandise manager-hard lines for the 92-unit Boise Cascade, Boise, Idaho.

HARDWARE

$ Sales/Sq. Ft.
131.02

Gross Margin
38.3%

Sales to Inventory Ratio
4.6x



Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

Boise, which carries as much as 2,000 sku's in its stores, recently put three units on a computerized perpetual inventory system and found that, in one of the stores, hardware turns jumped to six times a year from four in 1981. "I think that, over the long run, we could achieve this level chainwide," Sanderson said.

He also noted that, in order to increase turnover, the chain will have to reduce sku's from the current number, and drop margins slightly. However, there does not appear to be an actual consensus among dealers or manufacturers contacted by *NHCN* whether hardware turns are most beneficially affected by adding or dropping inventory sku's, or decreasing margins.

For example, the three-unit Star Lumber, Wichita, Kan., has seen its hardware turns escalate to four times a year, from three in 1981, by reducing its 3,500 sku's by about 100 while maintaining around $300,000 worth of stock.

"We took a four-year sales history of each sku, and then decided that the stuff which wasn't turning at all would be eliminated," said buyer Calvin Herrill.

On the other hand, the three-unit Economy Lumber, Denver, will increase its $100,000 worth of hardware stock in 1983 by 10%, and will, according to vp Steve Stookesberry, take on a wider range of decorative hardware products.

Stookesberry, whose chain turns hardware from five to six times annually, from four turns a year ago, attributed any sales increase to improvements in the housing market (50% of Economy's sales come from contractors), and stronger packaging by manufacturers, particularly in security hardware items such as locksets and deadbolts.

Weiser Lock Co., the Huntington Beach, Calif., manufacturer, has attempted to assist dealers in their sales efforts by devising stronger point-of-sale aids, such as more explicit header boards with DIY instructions, lock displays mounted onto a lock board as a working model, and wider use of POS literature.

"Most dealers are becoming much more conscious of security hardware," said domestic product manager Rich Julian, "and are pushing the products more frequently through their advertising."

Weiser, which markets its products in such chains as The Home Depot, Ernst Home Centers, Mr. GoodBuys and the Cotter, Ace, HWI and American hardware co-ops, has encouraged dealers not only to promote security hardware on a regular basis, but to be more selective in choosing their product mix.

MERCHANDISING

"It's been an uphill battle, though," he said, "mainly because chain buyers have their own ideas about hardware merchandising that, at times, are more based on space allocation than the product itself." Julian noted the home centers have begun to show a marked tendency for devoting less space to hardware in general.

"You're seeing more turnover of hardware at retail because dealers are demanding it," said Bob Hibbard, senior national accounts manager for National Manufacturing, the Stirling, Ill., hardware maker. "And they are not unreasonable in their demands. We were lax in the past, and when a store ran out we just filled the pegs; now we and our dealers are more aware of what's selling, and when."

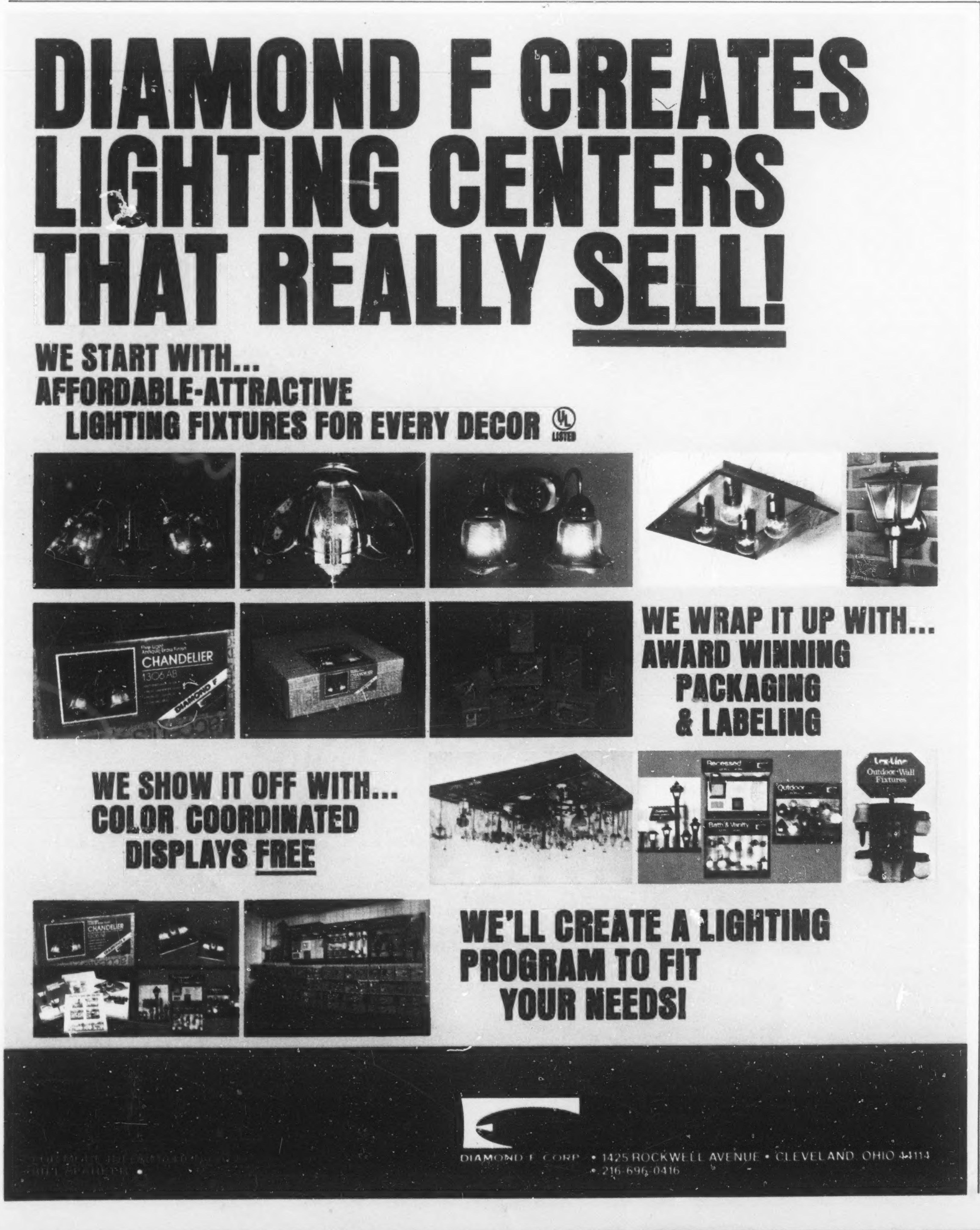
National, whose products are marketed by Orchard Supply Hardware, Sutherland Lumber, Boise Cascade, Moore's, Wickes and Hill-Behan, among other chains, makes about 4,000 sku's, of which 1,000 are regularly sold at retail and 540 in home centers. Hibbard noted that dealers were, over the past year, looking to concentrate their sku selection even further.

However, he was eager to point out that inventories do not appear to have been reduced dramatically at store level among National's dealers. "We have three standard-sized programs, running 12, 16 and 20 lineal ft., and the 12-ft. plan was the most popular until last year when the 16-ft. program took precedence, which indicates, I think, that dealers are taking on more inventory."

Hibbard's suggestion that dealers needed to scrutinize their hardware departments more carefully is one that the 17-unit Westlake Hardware, Moberly, Mo., is finally adhering to.

Hardware makes up almost one-third of the chain's volume and represents its largest department, with about 2,400 sku's in its larger, metropolitan units, according to district manager Fritz Braymen. But the department is turning only three to four times a year annually, far below the industry average of around six, according to manufacturer estimates.

Braymen said the chain, to improve the department's turnover performance, will reduce its sku count, which was up in 1982, by around 2%, mostly in the builders hardware lines "that we never should have been carrying in the first place." He added that the stores, which stock as much as $100,000 in hardware per unit, will probably see their inventory reduced only minimally.



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HOME
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Retailers step up tool promotions

MERCHANDISING

NATIONAL REPORT—Home centers reduced their tool inventories from 10% to 40% last year, and promoted their hand and power tool lines more frequently to produce a turnover rate that averaged four to six times annually.

Retailers contacted by *NHCN* said they were having difficulty making money on power tool lines and were finding that, with few exceptions, stationary equipment wasn't selling. However, margins remained at a steady 30% for the entire tool department.

Nevertheless, while dealers are now paying more attention to their tool sku assortment, few indicated they would be dropping many lines, but instead said they would be trimming the number of vendors supplying their stores, and concentrating more on buying items for promotional specials to improve tool turns throughout 1983.

The most drastic inventory cuts came last year at the four-unit Herr Lumber, Seattle, which eliminated 40% of its tool inventory down to about $30,000 at cost chainwide.

Herr buyer Bill Cooper said most of those cuts were made from the chain's stationary power tool offering, lines that, in the past, were purchased primarily by contractors. "Contractors, because of the economy, don't seem to be replacing their old equipment, and products like radial arm saws, stationary drills and even some bench tools were dropped because they just weren't selling."

Herr's tool inventory cuts propelled that department's turnover rate to five to six times annually, up from two to three times in 1981, at maintained margins averaging 30%. Cooper also pointed to a local advertising program the chain recently enacted as also contributing to the improved turn rate. However, he insisted that the profitability of all power tools remained low, and that further sku cuts may be necessary.

At 12-unit A. C. Houston, Wichita, Kan., tool sales jumped $60,000 to $70,000, or 8%, and turns increased to 4.2 times a year (from under three times) in 1982 by slimming down inventory 11%.

Buyer Duaine Weaver said that, along with inventory cuts, the chain began to include tools in its direct mail flyers and promoted the products in its once-a-week advertising. In addition, it has placed greater responsibility on its store managers to oversee more closely the ordering of tools, of which about 10% of the chain's total assortment is promoted regularly. (Weaver noted that the chain's tool margins of between 27% and 30.5% were coming in good part from its taking on Makita's imported line of high-end power tools.)

The 10-unit Chase-Pitkin, Rochester, N.Y., also reduced its tool inventory by 15% in 1982, part of a chainwide effort to trim inventory in all departments. President Steve Underwood said that, depending on the size of the order, he now approves some tool purchases for the chain. "We've been scrutinizing the inventory levels in all our lines," he said, adding that most of the tool cuts came from the accessories, stationary and bench tool lines.

The chain's tool turnover is still under three times annually, and Underwood said Chase-Pitkin would be concentrating this year on building sales through increased promotion, a tack that proved successful in the later stages of 1982. "We've been attacking the problem on so many fronts that it's difficult to say one thing is improving turnover over another," he said. "But several of the promotions we ran last year on tools increased sales, and we'll continue to pursue that business."

Another chain looking to boost turnover was the 57-unit Diamond International, North Highlands, Calif. Merchandise manager Duane Magill pointed specifically to the strong sales results from the chain's December tabloid that included a wide range of tools. He also said that Diamond recently ran a promotion on a contractor-type circular saw, "and we sold a ton of them.

"Our tool sales have suffered because the builders haven't been buying," he said.

While Diamond's tool department turns an average of four times annually, sales have been disappointing and the stores have been ordering in smaller quantities. "They used to be able to buy on a dropship basis, but now their purchases are too small," said Magill, implying this meant sales and turnover were slipping. He said that while Diamond may reduce its overall tool inventory, sku cuts were less likely and most of the trimming would come from cutting down on the number of vendors servicing the stores.

While some chains are juggling their inventories, looking for the right combination, others are leaning heavily on promotional efforts to boost the turnover rates in their tool departments.

For instance, 235-unit Lowe's, North Wilkesboro, N.C., was actually able to increase its tool inventory by 20% in 1982, mostly due to the number of imported products it took on as part of the chain's six-month old import program.

Merchandise manager John Buckles claimed the chain's turnover of tools improved "significantly in 1982," as did sales, which account for 2.5% of the chain's $1 billion volume, primarily because "of the promotional exposure we've given tools in our advertising." Buckles, when asked whether the chain's promotions were cutting into margins, insisted that "we can continue to promote and make money on tools as long as we have a broader selection our customers can step up into." (Lowe's promotes between 10% to 15% of its tool sku's.)

"Inventory control is important, but you don't want to cut out too much stuff," said Mike Carver, buyer for the nine-store Knox Lumber, St. Paul, which has also improved its tool turnover by including the products in its newly devised four-color tabloids. "Our turnover is getting better, and I give credit to the ads."

HAND & POWER TOOLS

$ Sales/Sq. Ft.
102.86

Gross Margin
32.6

Sales to Inventory Ratio
4.1x

HAND TOOLS
POWER TOOLS
3

Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

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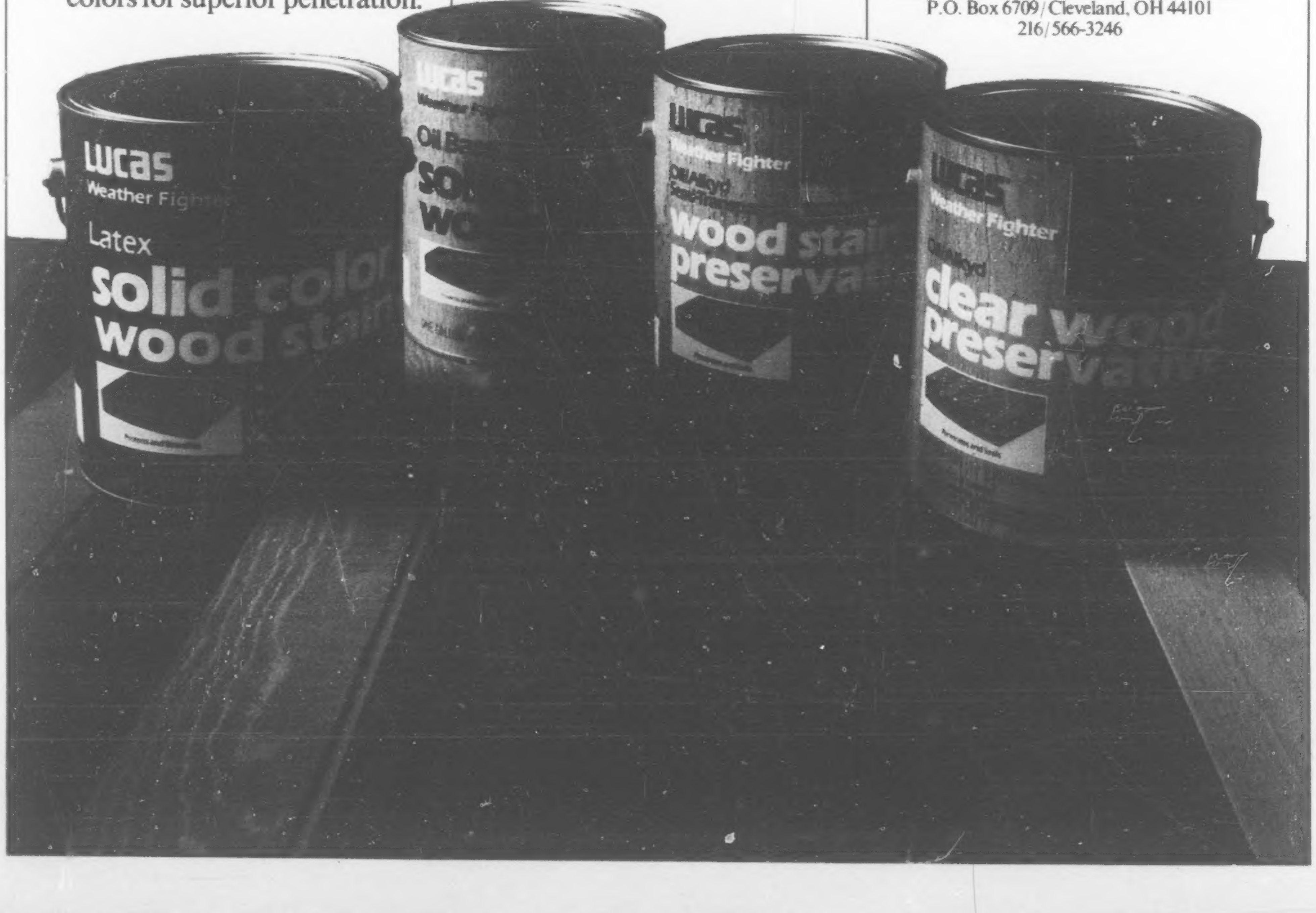


HOME
CENTER

Lumber moves to selling floor

NATIONAL REPORT—Last year was not the best of times in the lumber business.

Prices were off for most of 1982. Random Length's framing lumber composite price dropped to $160 per thousand board feet in August. Prices then rebounded around October with the composite reaching an average of $192 for December.

MERCHANDISING

The opportunity for stronger profits was welcomed but the quickly shifting prices made buying decisions difficult. Overall the amount of lumber consumed by the repair and remodeling market was off by 5.1% to 7.2 billion bd. ft., according to the Western Wood Products Assn.

Retailers devised strategies to tap the dollars that were being spent. More lumber was brought on to the showroom at operations with adjacent yards, giving the customer more exposure to the product and therefore increasing the likelihood of a purchase.

Sales were buoyed by the extraordinary strength of the treated wood market as more Americans turned to their backyards for entertainment and added decks to increase their homes' comfort and value.

Chains that put more lumber on the selling floor included operations as diverse as Handy City, Payless Cashways, O'Malley's and Lowe's.

For chains like Handy City, where almost half the retail space was already taken up with the lumber and building materials, the effort was aimed at increasing the bulk look and adding a few extra sku's to provide the customer with choice, particularly allowing him to select a higher grade of wood.

At Payless, where lumber is consigned to adjacent yards, bringing product indoors was an attempt to boost sales through additional exposure.

Said John Breedlove, merchandising vice president, "So many things are in the yard and no one knows they're there."

Payless added 8-ft. lengths of boards as well as 8-ft. studs and modeling to its stores, most of it displayed horizontally.

The chain now also offers hardwood plywood in 2x4, 3x4 and 4x4 sizes stored in three-tiered pigeonhole racks that taper in depth from bottom to top to accommodate all the sizes.

Like Payless, O'Malley's, based in Phoenix, also has lumberyards adjacent to its stores. Last year the 19-store chain began revising its merchandising. In stores that have been remodeled so far, the amount of lumber presented inside has increased by 20% to 60%.

"We haven't added sku's," said general merchandise manager Steve Elliott, "We brought in more yard selection. Instead of just representation, we now have stock."

Lowe's continued the process of moving more lumber onto its selling floors from the adjacent Wood World warehouse, which was located just off the selling floor and was not drawing customers. The change is a refinement of Lowe's RSVP formula and has proven successful.

The increase in lumber at Handy City and at Channel reflects the effort by W. R. Grace to make its Southeastern operation more closely resemble the bulk merchandising of a chief competitor, The Home Depot. At the same time, Channel, W. R. Grace's Northeastern home center, also added more lumber to more closely resemble the heavier lumber presentation of Handy Dan, the corporation's Southwestern entry.

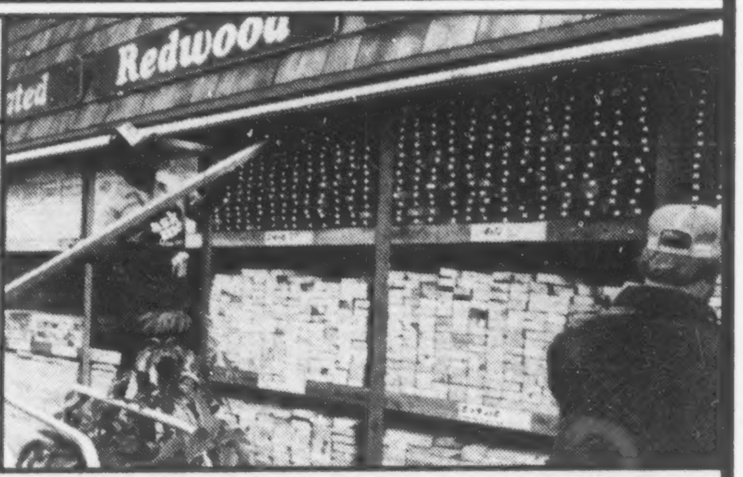
At Handy City few additional sku's were added but more material was put on the sales floor. "Lay down" lumber was "double tiered," for example.

When items were added, it was generally a matter of offering the customer more choice. For example, the shopper in search of a 1x12 board will now find a No. 2 or better spruce as well as No. 4 ponderosa pine, which before was the only board offered.

In addition, "stand-up" racks with fir boards of varying lengths and widths have also been added along with some new fencing products like a 1x6x5 cedar board unit, a foot shorter than usual in an apparent attempt to gain a sharp price point.

LUMBER

$ Sales/Sq. Ft.	Gross Margin	Sales to Inventory Ratio
237.62	23.6	7.7x



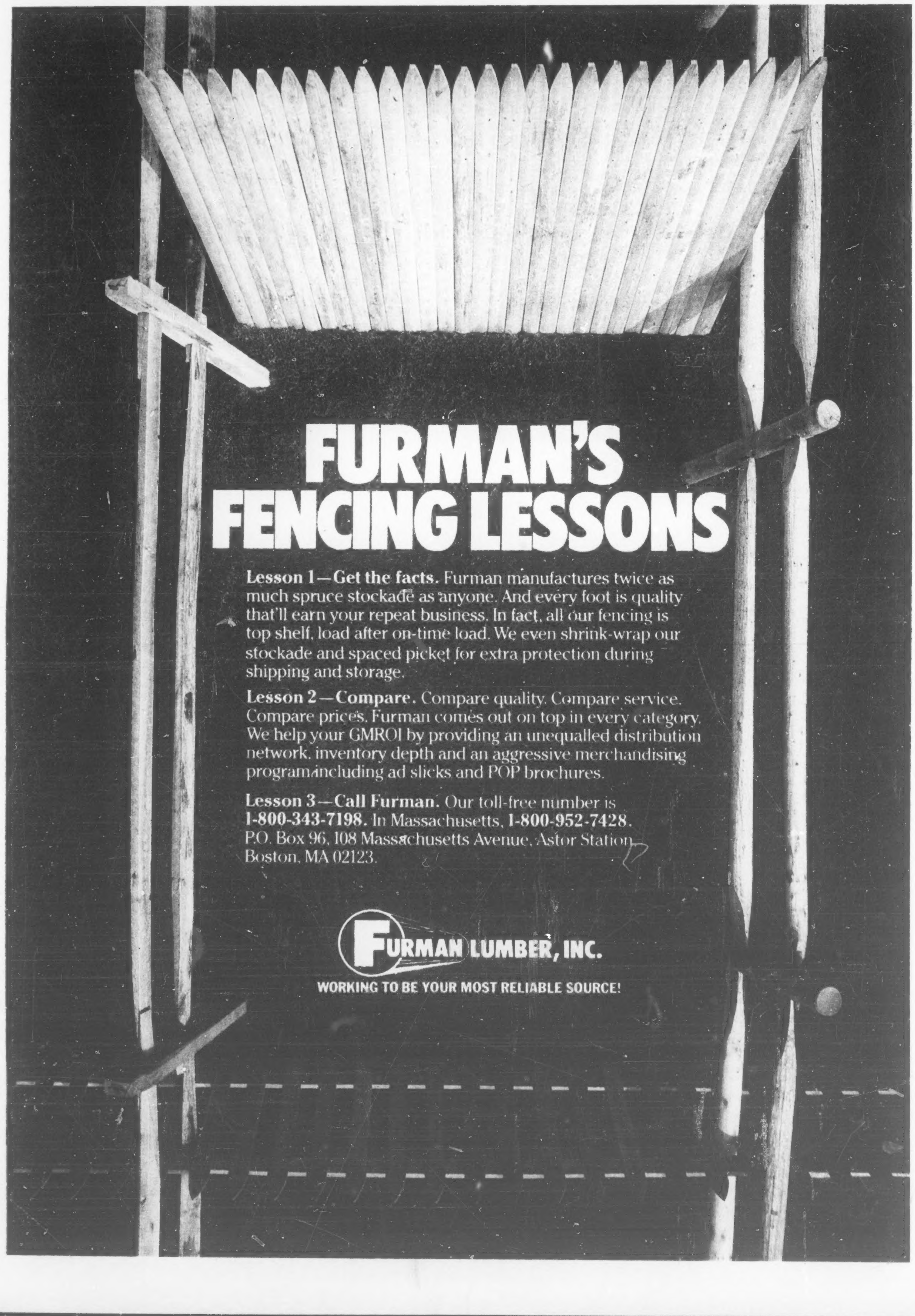
Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

The Grace strategy, if not all the specifics, can probably be traced back to Frank Denny, who resigned recently as head of the corporation's home center division to open his own chain.

"If anything the trend would be to offer a choice," he said about what happened in home center lumber retailing last year. At that, Denny insisted the trend was nothing new.

"It goes way back to Handy Dan, which was opened in what was historically a yellow pine market," he said. "One of the

(Continued on page 56)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HOME
CENTER

2 views on selling building supplies

NATIONAL REPORT—Home centers sold building materials to two basic kinds of customers last year: those who wanted low prices on quality merchandise and those who wanted low prices.

The distinction caused some retailers to implement aggressive pricing strategies which sought to undercut their competition on as many items as possible. Others decided instead to focus merchandising initiatives less on prices and more on service and inventory selection.

MERCHANDISING

John Kiss, marketing vp at the Paty Lumber Co. of Piney Flats, Tenn., said the secret to selling quality building materials at competitive prices comes simply from the right buying decisions.

The six-store chain, which draws 60% to 65% of its revenues from lumber and building materials sales, has traditionally avoided the low-end market, selling instead to customers who are looking for good buys in a particular quality range.

"We do a sufficient volume to get a pretty good price [on direct purchases]," Kiss said recently, "but we also belong to a buying cooperative which means our purchases are still direct, but routed through the group."

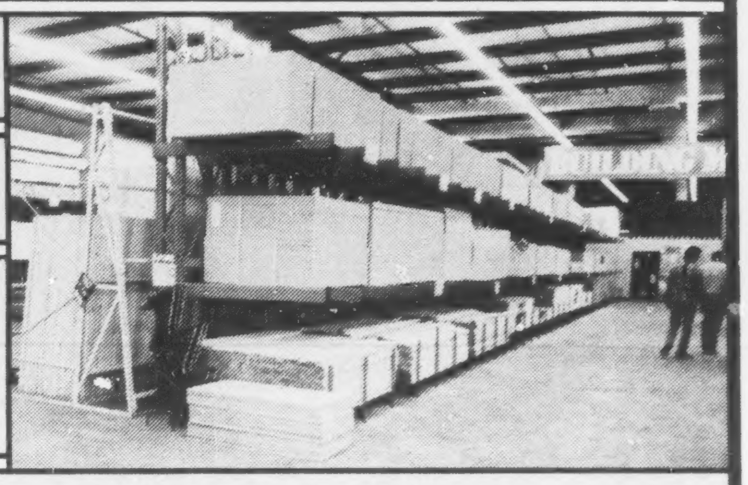
According to the marketing executive, Paty also has developed the reputation of being a building materials expert. "Our company was 50 years old in December, and probably because of the work we've done with contractors, people are sometimes more likely to shop with us."

Paty sold $12 million in building materials last year, reflecting seven turns for that period. While a drop in home building brought sales down slightly from 1981, Kiss expressed confidence in the 1983 construction market. The company also has upgraded its use of computers in the past three years, lending optimism to the belief that market futures will steadily become more calculated and less like guess work.

David Cohen, the lumber buyer at Somerville Lumber & Supply Co. of Somerville, Mass., said some retailers can make the mistake of sacrificing margin returns on building materials to attract business. "But we were working with a one-third margin for some time," he said. "Now I think we're pushing 40%."

BUILDING MATERIALS

$ Sales/Sq. Ft.	263.98
Gross Margin	24.4
Sales to Inventory Ratio	7.1x



Source: 1982 The Bottom Line report: Retail Home Centers by The Home Center Institute; National Retail Hardware Assn.

The two-store independent, which sells four truckloads of gypsum each week from its Somerville outlet, bases much of its selling strategy on service and inventory selection.

"We're the only place in the area where someone can come to buy everything he needs for a project," the buyer added. The company also offers free, next-day delivery to its customers.

However, building materials are viewed basically as price-sensitive items by Jim Mikan, a buyer with Gee Lumber of Chicago. "No one goes to see what drywall or insulation looks like—they know what it looks like," Mikan said recently. "So what they're mainly interested in is the price."

While Mikan said Gee Lumber doesn't always offer giveaway prices, building material products are featured regularly in the company's monthly advertising circular. According to Mikan, turns for building materials vary between 12 per year for gypsum and three per year for less popular items. Margins also vary, hovering somewhere near the 35% level on everyday prices and then falling to between 20% and 25% during price reduction periods.

"But what we do is feature a complete line of products," Mikan said. "For instance, some people only carry 5-gal. buckets of joint compound while we carry a whole selection.

"We think of ourselves as offering full service, and that's what I think draws the customers," he said.

Ron DiRamio, building materials buyer for Plywood Ranch in Braintree, Mass., said success in building material sales depends solely on the retailer's ability to offer the best price in town. "It's as simple as that," he said.

Plywood Ranch implemented a "5% policy" last year, which gave customers 5% off competitors' prices on identical items such as ceiling and wall panels. "But the customer had to bring in the competitor's ad to get the savings," DiRamio said.

The company's on-floor sales staff also is said to try and undercut competitors on individual sales. "Salesmanship is a top priority with us. We're not finger pointers," the buyer continued, "and we leave most of the sales decisions to the individual stores."

DiRamio said Plywood Ranch does not offer giveaways, however. "Over the past four or five years we've been strengthening our commitment to quality and consistency," he added.

"But we get our margins from where everyone else does—the add-on merchandise," DiRamio continued, "We pick up some points on nails and other hardware items, and on decorator products.

"We also get a lot of repeat customers because of our direct mail list," he said. "I think we're going in the right direction for the first time in 10 years."

Lumber

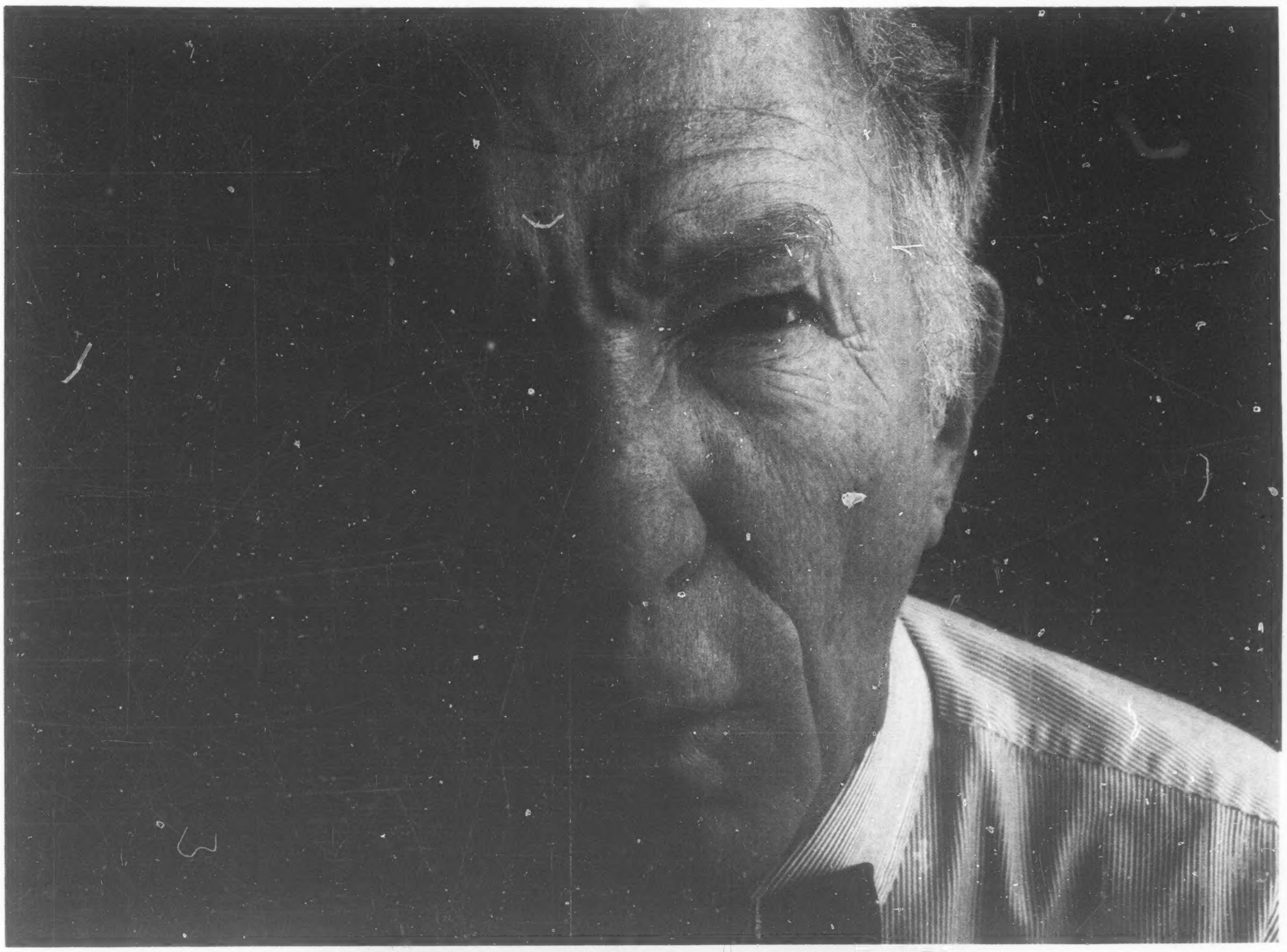
(Continued from page 55)

first things we did was to change over to white woods."

Of course, not all operations increased selection last year or brought more lumber inside. At Lampert Yards, St. Paul, Minn., lumber is mostly stored in sheds, except for some paneling and short boards that are kept in the showrooms, according to Ray Kramer, product merchandiser.

He said the 37-store chain, which generally serves rural markets, chooses to keep most of its wood outside.

Lampert's experience demonstrates the difficulty in buying in the kind of relatively low and erratic lumber market that existed last year, especially when a chain is located in an area like the upper Midwest, which was so hard hit by the recession.



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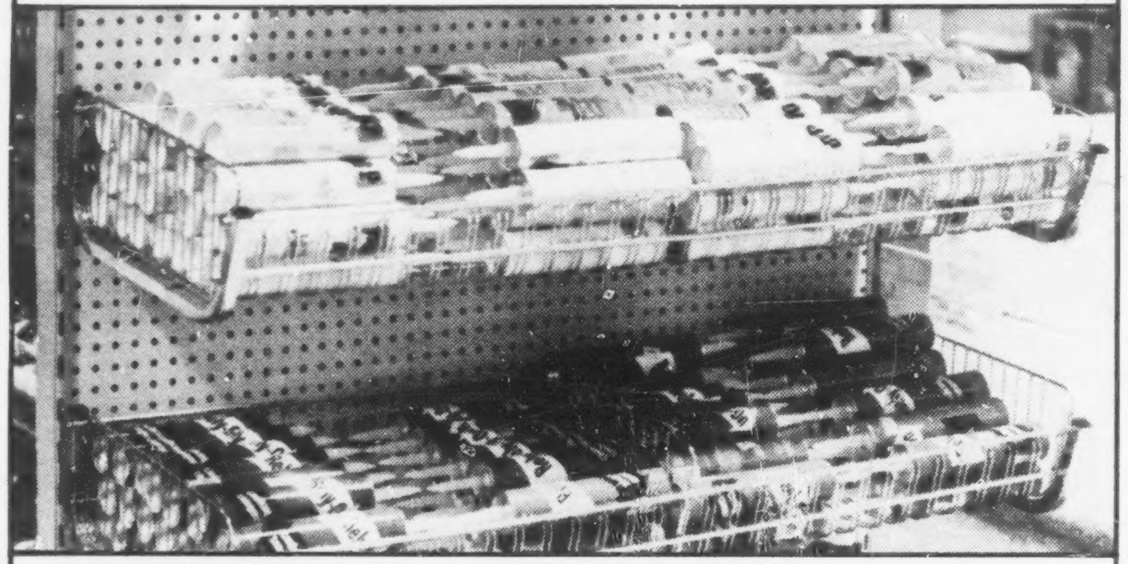
LP WAFERWOOD
The Smart Man's Plywood

ENERGY-SAVING PRODUCTS

INSIDE

Window and door merchandising

Energy efficiency and security are two reasons why steel entry doors continue to grow in popularity, according to a recently completed survey of home center retailers conducted by *NHCN*. **15**



Plugging high-end caulk lines

Home centers are offering an amazing array of caulk products and consumers seem to be attracted to the more expensive latex and silicone varieties. **18**

A ceiling fan for all seasons

While many retailers report unexpectedly high ceiling fan sales through this spring, several dealers outside the southern Florida and Arizona markets are still trying to move the product. **20**

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Energy tax credit program losing vigor as crisis ebbs

Incentive to expire in '85

WASHINGTON—Despite Reagan Administration budget concerns, the Federal residential energy tax credit program will continue subsidizing purchases of weather stripping, storm windows and other home center insulation lines through the end of next year, when the program is scheduled to end. However, extension of the program past Dec. 31, 1985, is questionable.

Under the current law, both homeowners and renters can claim a credit on their Federal income tax for up to $300 (or 15% of the first $2,000) spent on certain energy conservation products annually.

According to the latest available Internal Revenue Service figures, the Federal Government paid out more than $4.7 million worth of these residential energy credits during 1979 alone.

At 15%, the IRS "revenue loss" figures indicate that the Federal Government is subsidizing the purchase of more than $30 billion worth of energy conservation materials and products annually. The most frequently subsidized lines include household insulation, and storm windows and doors, officials at the tax service told *National Home Center News*.

IRS officials stressed that the credit is not available for "structural or decorative" products including wood paneling, carpets, drapes and exterior siding. In addition they said that wood burning stoves are not considered energy conserving items. This is also the case with skylights.

The law, prompted by the energy crisis of the 1970's, was passed as part of the Energy Tax Act of 1978. In passing the law, Congress mandated that the credit expire on Dec. 31, 1985.

Considering the belt-tightening times and the Government's continuous search for new ways to raise revenue, it is questionable whether Congress will approve legislation extending the credit past the 1985 sunset date.

In addition, use of the tax credit incentive by homeowners declined steadily from 1978 through 1980, according to IRS tax credit information. In 1978, approximately 6 million taxpayers claimed an energy tax credit—6.6% of the 89.8 million Americans to file returns that year. In 1979, 4.9 million took advantage of the energy credit (5.3% of the total returns filed that year), and in 1980, just 4.6 million returns claimed the energy tax credit (4.9% of the total returns filed).

IRS energy tax credit information is available through 1980, and findings for that year are still preliminary.

Energy tax credit information—1978-80

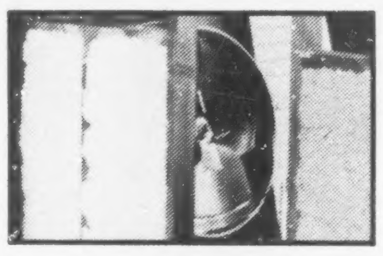
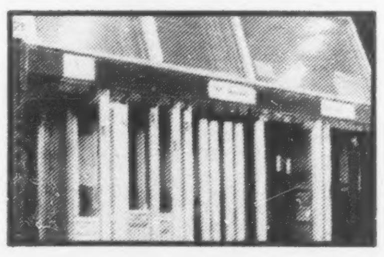
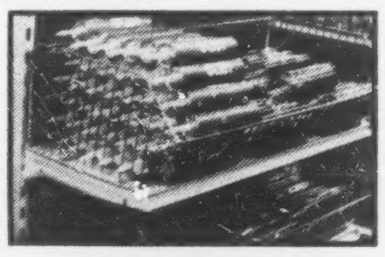
	1978	1979	1980*
Total tax returns filed	89.8 million	92.6 million	93.6 million
Returns claiming energy credit (% of total returns)	6.0 million (6.6%)	4.9 million (5.3%)	4.6 million (4.9%)
Dollar amount spent on energy items	$4.1 billion	$3.3 billion	$3.2 billion
Total energy credit	$559.4 million	$436.8 million	$556.8 million**

**1980 figures are preliminary*
***Total energy credit figure for that year includes solar and geothermal renewable energy source credits*

Source: IRS; NHCN *chart*

According to IRS energy tax credit information, the number of tax returns taking an energy credit successively declined as a percentage of total returns between 1978 and 1980. The dollar amount spent on energy projects also went down, from a high of $4.1 billion in 1978 to $3.2 billion in 1980. Energy tax credit information compiled by the IRS is available through 1980. Findings for that year are still preliminary.

Homeowners' spending on energy-saving products

	1978		1979	
Product	**No. of returns with energy claims**	**Dollars spent**	**No. of returns with energy claims**	**Dollars spent**
INSULATION 	3.9 million	$1.8 billion	2.9 million	$1.3 billion
STORM WINDOWS 	3.4 million	$1.8 billion	2.5 million	$1.4 billion
CAULKING 	1.6 million	$89.4 million	1.4 million	$467.3 million
OTHER (includes items like thermostats and weather stripping)	825,000	$425.0 million	909,000	$467.3 million

Source: IRS; *NHCN chart*

Homeowners spent less on high-ticket projects during the second year credits were available and more on less expensive energy improvements, based on IRS energy credit information. The IRS only has a project breakdown of energy credit spending patterns for 1978 and 1979.

LUMBER REPORT

Price peak reached; leveling off expected

By Hawk Furman
Special to NHCN

The lumber market in 1983 started out with a bang. Prices rose as much as $100 or more per thousand board feet on dimension lumber from October 1982 to January 1983. Douglas fir 2x4 random length dimension was priced at $139 per thousand board feet in early October and $270 per thousand board feet in late January. Prices in most softwood lumber items have adjusted downward from January highs. The question is where do prices go from here?

Market demand

Demand for softwood lumber and panelboard products is significantly better now than in 1982 and it is expected to stay strong through 1983. Home building has led the way. Housing start figures, reported at seasonally adjusted rates of 1.6 million to 1.7 million units through March, show the strength of current demand.

Lumber supply

A majority of the lumber mills in North America are currently breaking even or making money. Increased profits beget increased production. There can be no mistake the mills are pumping the wood out from British Columbia to Alabama to New Brunswick. Despite flooding in the South, logging restrictions due to weather in the Pacific Northwest and inland empire, the mills continue to produce at near capacity. The western spf mills during late spring continued to hold their price levels in anticipation of tremendous demand, despite the inability to sell their entire output.

Hawk Furman, president, Furman Lumber, Boston

Will there be enough demand to absorb the increasing production of wood products? Many mill executives are cautious and feel that we have seen the high prices for the year. They feel production has come on so strong that it is meeting demand and an equilibrium has been reached. They are now concerned about overproduction. Lumber exports will not absorb the increasing production as they are forecasted to only increase 10% over 1982 levels. The major factor that could curtail production and increase price significantly is a strike. Western Canada and United States wood workers have contracts that expire in a period from the first of June through the middle of July.

Panelboard Supply

One area where supply should not be a problem is panelboard. Plywood inventories are up 31% in wholesale distribution yards over the same period last year. Alternative products like waferboard, oriented waferboard, and oriented strandboard are supplementing the existing panelboard market and challenging plywood's market share. We should see stable prices in plywood, while waferboard and oriented strandboard will probably increase modestly in price because of the price discount to plywood and the acceptance of these new products in the marketplace.

Retail inventories

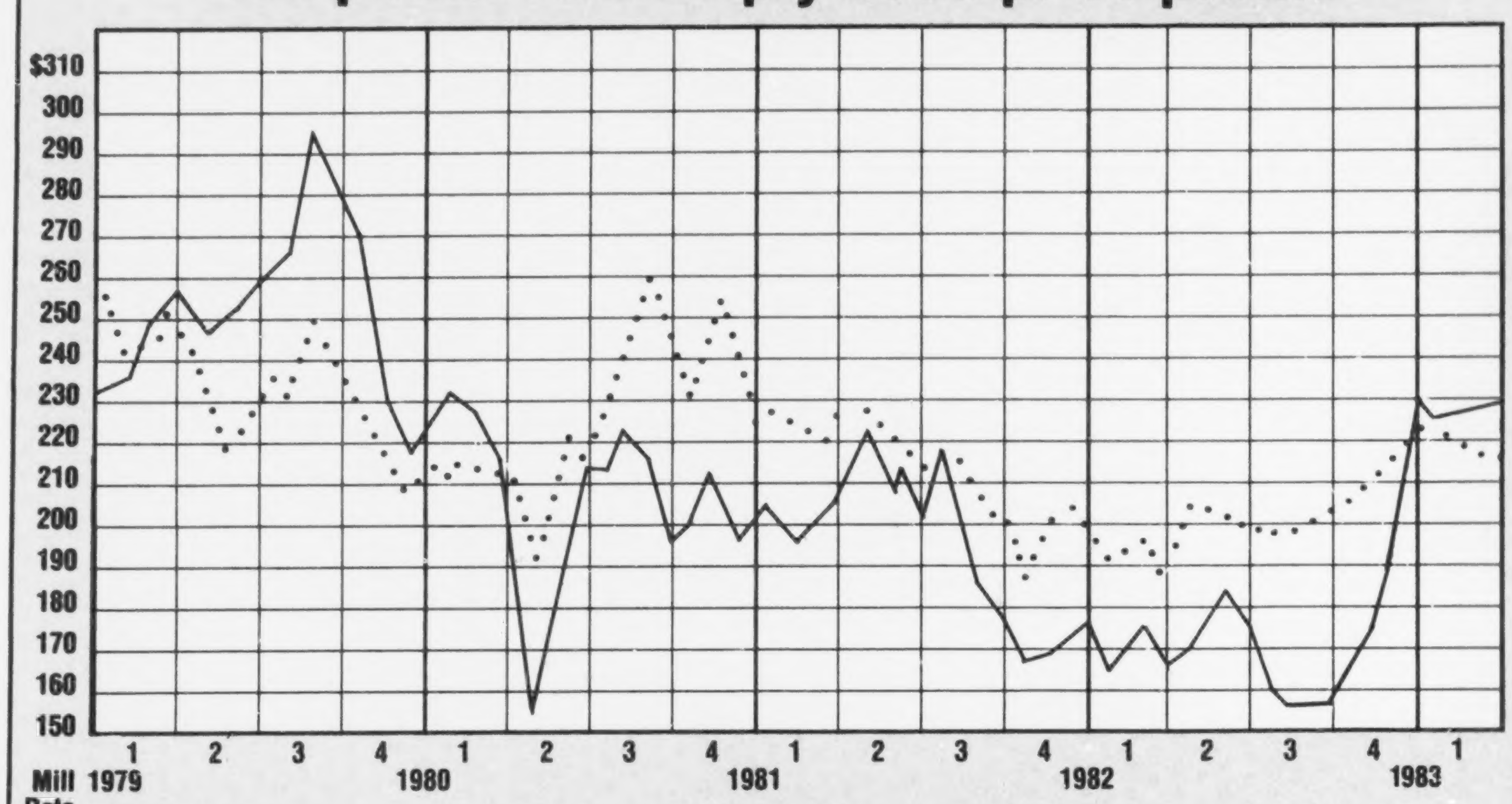
Retail inventories are moderate to high. Severe spring weather throughout the United States has delayed the pull-through of wood products out on the job sites. The retailer is in no particular hurry to buy additional inventory until present inventory begins to move.

Financing the home

Lower interest rates on mortgages are making houses more affordable. Currently, mortgage rates are in the 11%-13% range. Commerce Secretary Malcolm Baldridge is predicting lower interest rates as long as the Federal deficit can be cut. Banks have plenty of money for lending but are scared to lend out long at fixed rates. This could be changing with increased competition

(Continued on page 52)

Composite lumber/plywood price profile



Mill Rate ——— Framing lumber, $/1,000 bd. ft. ...... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

Framing lumber composite prices have leveled and remained strong since the surge late last year and in January. Plywood composite prices, which experienced a less dramatic increase, have dipped somewhat.

The strength of the lumber prices results from strong demand, with housing starts for the first quarter of this year averaging almost 1.7 million units, seasonally adjusted. At the same time, inventory levels had reached historic lows and log decks were down.

The softening of plywood prices is apparently due to the adequacy of supply, since production for the first quarter, 5.02 billion sq. ft., was at its highest level in four years, according to the American Plywood Assn.

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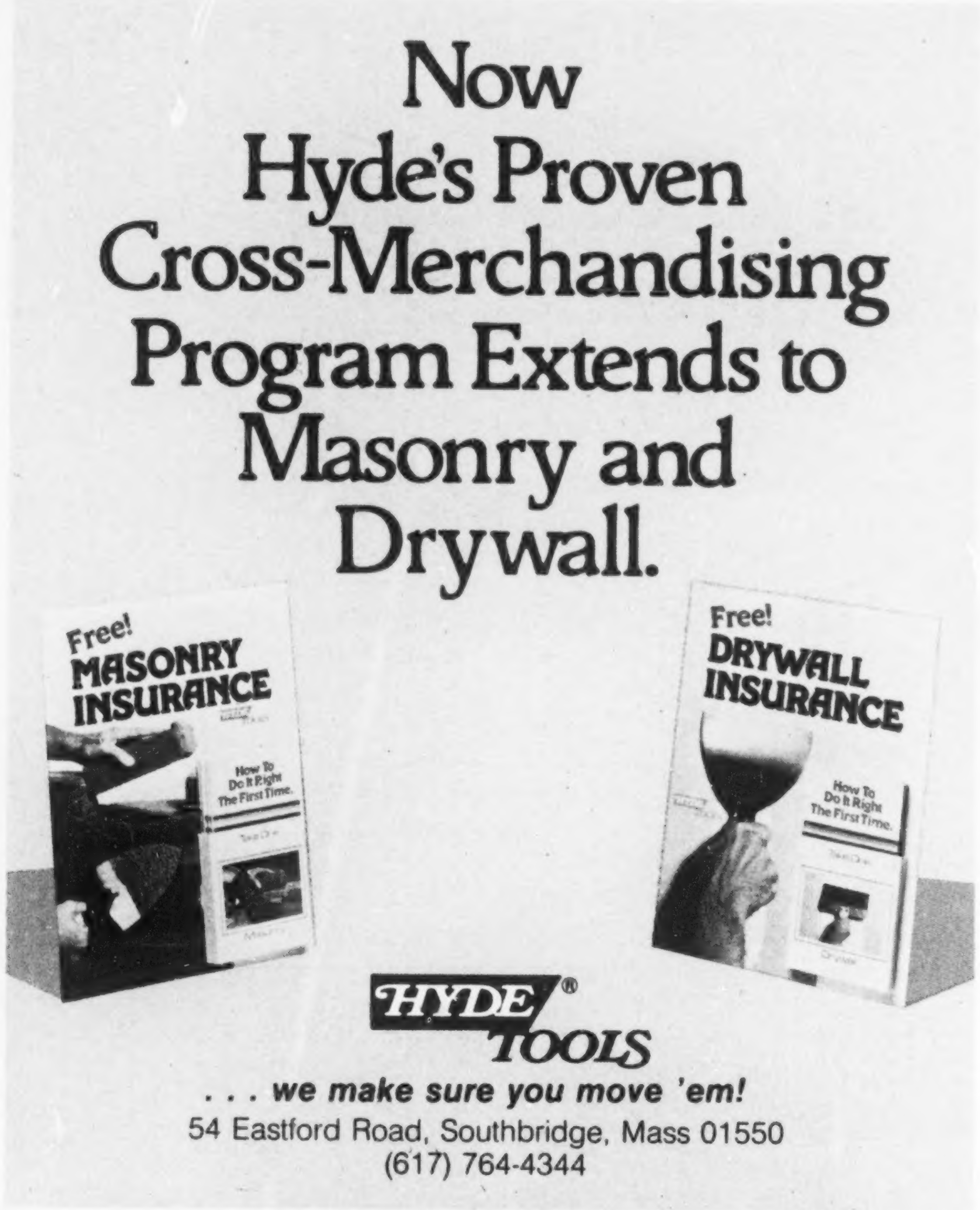
DISPLAY SPOTLIGHT

Pine, ash and birch boards are displayed vertically in one aisle at Neiman-Reed's Lumber City prototype store in Reseda, Calif.
NHCN photo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BRUSKE PRODUCTS

Lumber report

(Continued from page 51)

among thrift institutions to funnel their funds back into the marketplace. A bill being considered by Congress could be a long-term boom to housing and the Savings and Loan institutions. The "Mortgage Retirement Account" (MRA) unveiled by Senate Housing Subcommittee chairman John Tower would allow part or all of an IRA as down payment on a new principal residence. It would also permit an IRA to be used as a down payment for the principal of an existing mortgage. President Reagan is changing his view on cut-rate mortgage revenue bonds and he is leaning toward extending Federal tax exemption authority for mortgage bonds. These local and state bonds provide mortgage funds at a substantial discount in interest rates to conventional mortgages. Things bode well for financing the American Dream.

Immediate future

There will be a continuing good volume of softwood lumber and panelboard business in the coming months, but with production levels up, don't look for a runaway market. Strikes, summer shutdowns, and chip problems might force some price bubbles, but the prudent retailer won't speculate heavily and will buy what is needed when it's needed.

Trade groups recommend ½-in. VHS format

NATIONAL REPORT—Home centers deciding what format of videotape equipment to buy for educating personnel and shoppers alike may be pleased by a recent decision by hardware industry trade associations intended to help retailers and wholesalers avoid duplication and incompatibility problems.

Three trade groups—the National Wholesale Hardware Assn., American Hardware Manufacturers Assn. and the National Retail Hardware Assn.—have recommended the ½-in. VHS format as the preferred system for companies purchasing videotape equipment for in-store or educational purposes.

VHS equipment is manufactured by about half a dozen companies and marketed under more than 15 brand names.

However, the associations suggest that those in the hardware industry be prepared to distribute programs in both the VHS and Beta formats. While Beta and VHS cassettes are not interchangeable, the use of both systems will prevent Beta equipment from becoming obsolete. However, businesses purchasing new equipment or implementing videotape systems for the first time, should choose VHS, the associations said.

Educational programs sponsored by the NRHA and the NWHA utilize film instead of videotape. NRHA employs Fairchild Super-8 players for its series on employee training, consumer information and point-of-purchase product demonstrations. NWHA's "Hardware Education for Profits" program is shown on the LaBelle filmstrip format.

READ CLASSIFIED ADS

FUTURES

Two weeks ended April 29, 1983

LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
May	193.60	186.50	193.20	188.80	2,136	209.50	151.50
July	211.40	203.10	211.20	204.80	4,921	217.60	158.00
Sept.	218.50	211.30	217.10	213.10	1,745	221.00	163.80
Nov.	220.20	214.50	219.10	215.60	1,699	221.70	168.00
Jan. '84	228.30	222.50	227.00	223.80	579	228.30	179.00
March	234.20	228.50	233.20	230.00	264	234.20	206.50
May	240.00	236.30	239.50	236.90	38	240.00	228.60

Total Contract Vol. (Through 4/29): 25,374 **Previous Two Weeks: 22,953**
Total Open Interest (As of 4/28): 11,394 **Previous Week: 11,335**
Cash Price: $187.18 **Previous Week: $185.22** **Year Ago: $121.52**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
May	199.50	189.90	194.00	194.20	413	216.40	167.00
July	206.60	194.30	206.60	198.30	1,260	221.00	170.00
Sept.	210.40	198.20	210.40	202.20	726	223.90	185.00
Nov.	210.00	201.50	205.80	205.40	230	226.60	201.50
Jan. '84	213.00	204.50	211.50	208.20	54	213.90	201.20
March	215.50	208.50	214.50	211.00	12	217.50	208.50

Total Contract Vol. (Through 4/29): 4,812 **Previous Two Weeks: 1,604**
Total Open Interest (As of 4/28): 2,651 **Previous Week: 2,532**
Cash Price: $184.24 **Previous Week: $184.24** **Year Ago: $158.76**

	This Week	Previous Week	Year Ago
COMMODITY RESEARCH BUREAU INDEX:	**246.7**	**246.6**	**254.4**

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, April 28.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	3/31-1st qtr.	$ 777,740	$ 714,740	9	$11,130	$ 5,560	100
Evans Products**	3/31-1st. qtr.	155,304	137,096	13	1,532	– 515	—
Forest City	1/31-Year	338,768	340,302	—	13,691	8,578	60
W. R. Grace	3/31-1st qtr.	1,351,943	1,463,173	– 8	32,938	144,176	– 77
Lowe's	3/26-4 wks.	89,600	67,700	32	—	—	—
Pay 'N Pak	2/28-4th qtr. 2/28-Year	38,705 187,338	38,436 180,974	1 4	1,377 6,368	1,774 7,199	– 22 – 12
Scotty's	4/2-5 wks. 4/2-3rd qtr.	39,332 95,897	32,889 77,935	20 23	— 3,373	— 4,051	— – 17
Southwest Forest Inds.	3/31-1st qtr.	142,000	144,948	– 2	– 6,855	– 4,603	—
Wolohan Lumber	3/31-1st qtr.	16,891	10,561	60	– 256	– 599	—

*$ in thousands
**Revenues and operating income for retail division only.

Scotty's quarterly sales up 23%

WINTER HAVEN, Fla.—A lower year-to-year gross margin and a more competitive environment which led to larger ad and promotional expenditures produced lower net earnings during Scotty's third quarter ended April 2, according to Dennis W. Stults, the chain's executive vice president.

The 100-store company saw net income fall 17% to $3,373,000 from the third quarter in the previous year.

Scotty's scored a record high 32.63% gross margin in the third quarter of 1982 but could not come near duplicating the number, which slipped to 30% this year, Stults indicated.

While Scotty's quarterly bottom line results were not impressive, its recent sales reports have been, however.

Quarterly volume rose 23% to $95.9 million, added by a 20% rise in sales during the five weeks ended April 2 to $39.3 million.

Sales at comparable stores, opened at least one year, rose 14.2%, the second straight quarterly increase and the highest gain in nearly two years.

While consumer sales remained strong, builder volume also increased by 43.6% from the same quarter in 1982 and claimed 24.9% of total volume, its largest percentage in almost two years.

In another development, Scotty's chairman and ceo James W. Sweet said the chain's Auburndale, Fla., unit has taken on a new POS and data collection system as a test. The company has signed an agreement with ICL, a subsidiary of International Computers Ltd. of England, to extend the system throughout the chain following acceptance of the test as successful.

Evans Products' retail div. shows 13% sales gain

PORTLAND, Ore.—A pickup in housing activity, favorable weather conditions and general economic improvement contributed to a profitable first quarter for Evans Products' building products groups, including its retail division, according to company officials.

Last year's first quarter had produced red ink for the retail, shelter products and forest-fiber products groups at Evans.

The retail division, the largest of the three, produced $1.5 million in operating income on a sales gain of 13% to $155.3 million in the most recent period compared to the same time in 1982.

A 12% gain in cash-and-carry sales combined with a 19% increase in contractor trade sparked the retail group, which had recorded a $515,000 operating loss in the first quarter last year, officials said.

The division operates stores under the names of Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson.

The building products' gains, which were still seasonally low, could not produce an overall gain for the company during the period, however, as severely depressed conditions continued for Evans' railcar and steel castings businesses, and interest expenses remained high.

Overall, Evans reported a $15.3 million net loss for the quarter against an $8.9 million loss in the same period a year ago. Revenues in the most recent quarter declined 16% to $242 million, officials said.

In another development, Evans' board of directors declared a 10% stock dividend, payable June 24 to stockholders of record on May 16.

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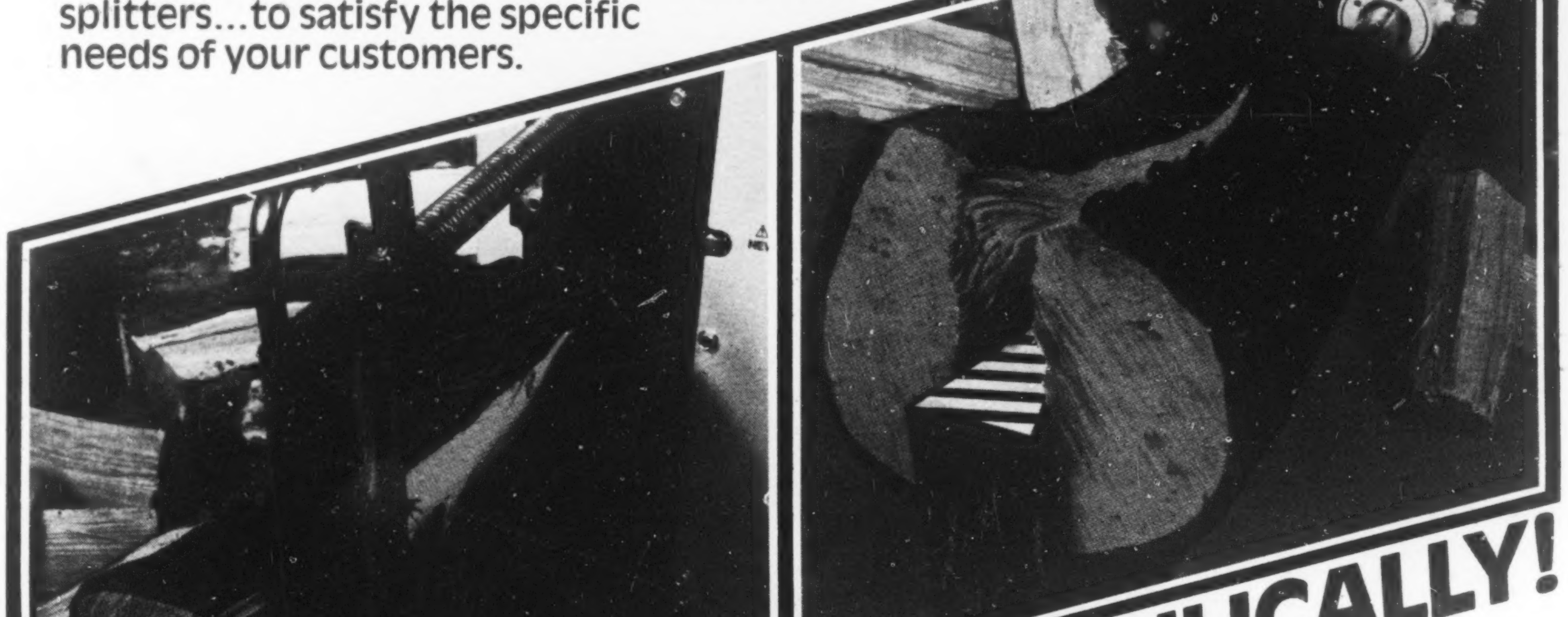

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National
Home Center News®

Vol. 9, No. 12 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 6, 1983

S BUY IT RIGHT...
DLEMAN MARK-UP
LOWES
WE G

Shopper is dwarfed by merchandise stacked in bulk on steel racks at Grossman's new Price Club-style outlet in Ventura, Calif. NHCN photo

Grossman's introduces new bulk display outlet, discount membership

By Brad Altman
NHCN West Coast editor

VENTURA, Calif.—Grossman's has jumped on the warehouse bandwagon with the debut of a Price Club-style retailing format here.

Describing the store as "another step in our evolution," Grossman's president, Mike Grossman, told *NHCN* that some of the Ventura ideas may be included in a 60-store interior remodeling program in 1984.

"What you're seeing is our latest thinking," Grossman said of the Ventura store which opened May 18. "We want to take the newest things we learn [at Ventura] and put them into all of our stores."

The store format consists of a limited number of sku's merchandised in bulk and on towering steel racks. It is designed to attract both consumer and professional customers who are offered special rebates.

Located about 75 miles north of Los Angeles, the four-acre site formerly occupied by a roofing manufacturer

(Continued on page 4)

NEWSBREAKS

GAMBLES UNIT REVITALIZED. A Superior, Wis., Gambles Home Center, written off as dead last Dec. 31, by parent Wickes Cos. of Santa Monica, Calif., is being given a new lease on life. Jerry Jaques, owner of the Belknap Plaza where the unit was located, is reopening the Gambles outlet as a franchise, offering a "wider range of [Gambles] merchandise at more reasonable prices."

INSIDE:

TWO MAINE DEALERS, Hancock Lumber and Gendron Lumber, have merged and plan expansion .... Page 2
HECHINGER HAS BACKED UP its foray into North Carolina with an aggressive television advertising campaign .... Page 3

K mart home center depts. stressing building supplies

Discounter bolsters DIY product mix in 40-50 stores

By John Caulfield
NHCN associate editor

TROY, Mich.—K mart will create a "store within a store" home center department in 40 to 50 of its 1,100 units with building supply departments this year, and is prepared to convert another 300 to 400 units in 1984.

The remodeled departments will replicate the 10,000-sq.-ft. prototype department K mart has operated in Rochester, Mich., since November, and would give a "greater presentation to building materials" and add 25% more sku's to each store's home improvement product selection, company spokesman Robert Stevenson told *NHCN*.

"This is not a salvage operation to improve sales at poorer performing stores, but an effort to see where these products can sell best," he said.

PAINT
HOMECARE CENTER
DO IT YOURSELF

Two endcaps lead customers into the newly designed 10,000-sq.-ft. home center department in K mart's Rochester, Mich., store. A total of 11 Detroit market units have the department prototype, and K mart, the country's second-largest retailer, could roll out this department in 300 to 400 of its stores next year. NHCN photo

K mart vendors indicated that stores in the Denver, Seattle, Phoenix and Chicago markets are among the likely candidates to be converted, but officials for the 2,117-unit, $16.8 billion discounter are being secretive about their plans and would not comment on where the chain would remodel units this year, or how many stores in 1984 the prototype department could be broken into. Publicity director Susan McKelvey told *NHCN* that conversion work was currently being done on stores in "central Illinois and Phoenix," that would be completed by July.

Ten more Detroit area units have already taken on the new

(Continued on page 46)

Denny's 'Home-Pro Warehouse' debuts early; W. R. Grace sues

By Ken Schept
NHCN senior editor

SAN ANTONIO—In a surprise move, Home Centers of America was expected to open its first unit here on Memorial Day weekend, six weeks earlier than the announced Fourth of July debut.

HOME·PRO WAREHOUSE
HOME IMPROVEMENT DEPOT

The store, called Home-Pro Warehouse, was the first of two scheduled for this market. The second should open as planned with an Independence Day promotion.

The grand opening preparations were being made, however, under the spectre of a lawsuit, brought by W. R. Grace on May 2, against Home Centers of America and five of its officers, former Grace employees, seeking to enjoin the new company from doing business.

The suit alleges that the Home Centers of America officials developed their new company while on Grace's payroll. It charges the executives with raiding employees, misusing confidential information and otherwise breaching their fiduciary obligation to Grace.

While Grace is seeking a temporary injunction to prevent Home Centers of America from operating, Home Center's counsel, Laurence Macon, did not expect that effort to interfere with the opening of the first store set for Friday, May 27, at 6 p.m. Grace attorney, Phil Pfeiffer, would not comment.

On May 23, discovery proceedings were to begin, following an earlier postponement. Grace is seeking to permanent-

(Continued on page 45)

Westlake readies 5-store expansion in the Midwest

By Phillip M. Perry
NHCN associate editor

MOBERLY, Mo.—Westlake Hardware, a 19-store chain in the Kansas City Metro Area, will launch the most aggressive expansion campaign in its 78-year history this summer, when it opens three new stores in Omaha and two in Oklahoma City.

The $3 million expansion takes the $35 million operation out of its home market for the first time. Grand openings are scheduled for Labor Day.

The five-store increase is the first installment of a new, more aggressive expansion strategy aimed at opening two or three new stores each year compared to one or two previously.

The economic downturn of the past few years caused deferral of these moves until now, but also allowed the company to save enough cash to fund the five new stores internally, according to F. K. Westlake, president.

He said that hard times also aided in site selection because attractive second-use space became available when several supermarkets closed at certain locations. Lease arrangements at $3 to $3.50 per square foot enabled Westlake to acquire existing stores at about half the cost of building from scratch.

The new stores will be roughly 20,000 sq. ft., the average size of existing Westlake units,

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NHCNews Briefs

Industry Update

2nd Inner Harbor shows black ink; chain braces for new Hechinger

BALTIMORE—Inner Harbor Lumber & Hardware's second store saw its first profitable month in April, just over a year after opening in the northern part of the city.

Owner Mike Rafferty noted that it took his first store about twice as long to reach black ink, after debuting in January 1978 on the city's waterfront.

The quickened pace toward profitability may soon slow down somewhat, however. Hechinger is expected to open a store nearby and Rafferty predicts a temporary 10% drop in his sales.

In the meantime, personnel at the new store will be increased 25%, certain departments will be expanded and store hours have already been adjusted to produce more retail sales.

Advertising emphasis is being switched to a direct mail campaign aimed specifically at the area east of the new unit, where Inner Harbor has yet to significantly penetrate and where Hechinger will open.

While Inner Harbor's first store was formerly a warehouse, its second is housed in a cavernous former street car barn. One of the chain's challenges has been to get customers accustomed to shopping in these nonretail locations.

Hechinger will not be faced with this dilemma. The company was able to penetrate inside Baltimore's city limits because a large Hecht Co., surrounded by a tremendous parking area, was interested in subdividing its space.

"In the long run it's going to be healthy," Rafferty said of the impending arrival of this new neighbor. "There's a certain synergism of retail stores that over time will prevent people from going out of the city to shop."

Rickel advances top management

SOUTH PLAINFIELD, N.J.—Supermarkets General will apparently shuffle top management at its Rickel Home Center subsidiary following the retirement, May 1, of chairman and long-time Rickel executive Irv Aptekar.

NHCN has learned that Supermarkets General directors at the company's June 9 annual meeting will consider the elevation of Rickel president Stanley Abramson to chairman; senior vice president of operations Chuck Davis to president, and senior vice president of merchandising Will Vachon to executive vice president.

The personnel moves come at a time when Rickel is riding the wave of renewed prosperity as a strategy to reduce the size of some of its larger stores to cut operating costs and more aggressive merchandising and advertising policies are paying off.

The 36-store chain posted a 44% increase in operating profits to a record-high $10.1 million on a 19% sales gain to $223.7 million, according to Supermarkets General's recently released annual report.

The $10.1 million figure represented 12% of Supermarkets General's operating profit, Rickel's best showing in this regard in four years.

Part of the improvement is attributed to a three-year program, nearing completion, in which, Rickel subleased 65,000 sq. ft. of its retail space in 1982 to bring its total subleased space to more than 300,000 sq. ft. in the period. Another 50,000 sq. ft. is slated for sublease this year.

Leasees in the vacated area have included sporting goods retailer Herman's and Filene's Basement.

While downsizing some units, the chain has kept on expanding with new stores.

In 1982, Rickel opened units in Shillington, Pa., Cherry Hill, N.J., and Staten Island, N.Y., and already has debuted new outlets in Newark, Del., and Glenolden, Pa., this year in a program scheduled to bring three to five new stores during 1983. A Stratford, Conn., site is now being considered, which could mean a first Rickel unit in that state.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 12. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 12 June 6, 1983

Two Maine dealers merge for southward expansion

By Kenneth Schept
NHCN senior editor

Hancock Lumber's merger with Gendron Lumber will facilitate the planned expansion of the combined five-store operation into southern Maine, and possibly New Hampshire.

CASCO, Me.—Hancock Lumber, a three-store independent, has joined with another old-line Maine dealer, Gendron Lumber, to enhance purchasing power and facilitate expansion into the southern part of the state.

Hancock continues to operate its three stores independently. A Gendron unit was closed because of its proximity to a Hancock yard. The other two Gendron stores are now operating as Hancock & Gendron of Southern Maine.

Combined sales for the five stores in the first year are expected to reach $15 million, about 40% DIY. The joining effort became effective May 1. Expansion into southern Maine, particularly along the coast and possibly into New Hampshire, is likely.

"During the last three years we didn't grow. We continued to make money and build up revenues," said David Hancock, president of Hancock Lumber. "If you're going to expand at all, it's best to do it at the beginning of a good market."

He said that consideration of a move into southern Maine started early this year. Gendron was seen as a similar operation, full service with both contractor and DIY customers.

"It was one of those quick things," said Albert Gendron, who was president of Gendron Lumber and now serves as a vice president and director of the new company. "Hancock contacted us in January about merging."

While the original discussions between the two companies were aimed at a merger, Gendron said, "We found that would be cumbersome and long and drawn out. Instead we formed a holding company."

The new arrangement leaves the Gendron family in charge of day-to-day affairs at Hancock & Gendron, with the Hancock family in control of policy. As part of the transaction, the Hancock family purchased certain stock, inventory and equipment for an undisclosed amount of cash. In addition, members of the Gendron family became shareholders in Hancock Building Materials.

According to Gendron, positive results from the new combination were immediately reflected in a May promotion held annually at Hancock. This year it was called a "Grand Reopening-Combination of companies sale."

Plywood sheathing and some lumber items were obtained with the benefit of added economy of scale, said Gendron. He also noted that TV advertising has been increased in an effort to build up the consumer part of the business.

"There was tremendous response at all five yards," he said of the May sale.

Hancock & Gendron now has locations in Kennebunk and Sanford. Gendron's Portland yard was closed because it was near Hancock's South Windham unit, which continues to operate, along with others in Casco and South Paris.

Hancock also runs several enterprises independent of the new company, such as a sawmill division that produces about six million board feet per year of Eastern white pine. The company also owns and manages 20,000 acres of timberland in southern Maine and is developing condominium subdivisions.

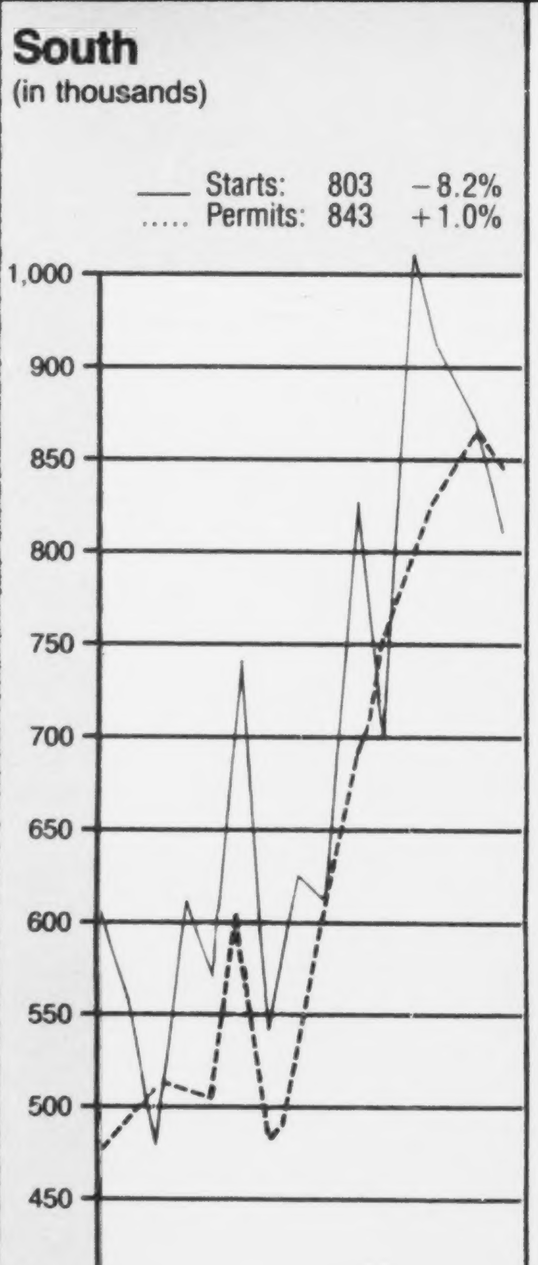
"We're in the process of expanding our sawmill division and will be opening a second dry kiln facility," Hancock said.

For the past few years the company has also been marketing solar envelope-type homes. Hancock is heating up its marketing effort this year and expects to sell 50-75 of the structures, which cost $75,000 to $150,000.

"We're now expanding into a larger Northeast territory," said Hancock. "We now think we're ready.

Hancock Lumber has been operating in Maine since 1859. Gendron was founded in 1921.

April home-building activity



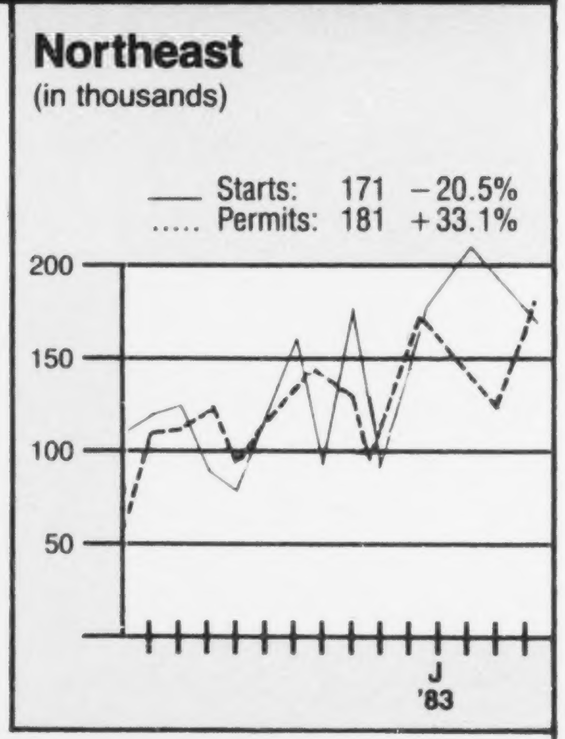
Total
(in 1,000's)

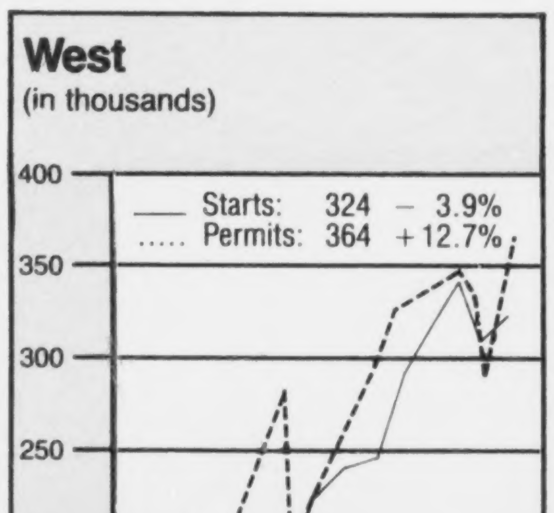
	Starts	Permits
April '83	1,490	1,563
March '83	1,627	1,467
April '82	882	879

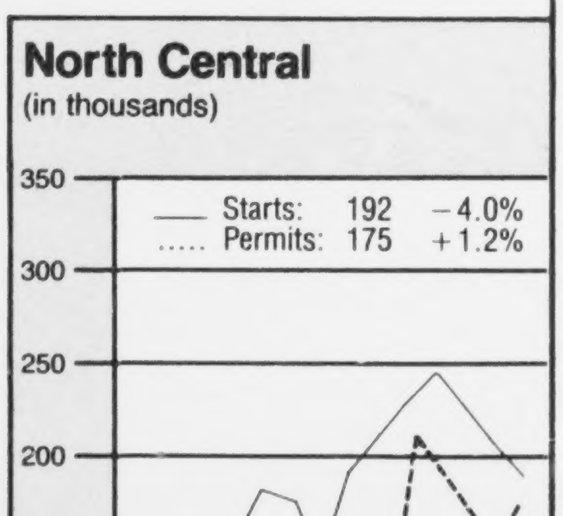
Total Single Family

	Starts	Permits
April '83	983	836
March '83	1,023	859
April '82	566	450

Source: Dept. of Commerce







In April, housing starts were off slightly for the second straight month. This decrease was interpreted as no more than a blip in the recovery, however. The National Assn. of Home Builders' predicted average level of activity for the year coincides with the 1.5 million seasonally adjusted total starts recorded in April.

In fact, the number of seasonally adjusted single-family starts, 983,000, far exceeded the total seasonally adjusted starts for April 1982, which came to only 882,000. This April's 1.5 million total start level was 63.6% ahead of a year ago. Total permits were up 3.7% to 1.6 million, 77.6% ahead of last year. Single-family starts were off 3.9% compared with March, but permits, 836,000, were up 1.8%.

Payless buys Kan. unit; major Ohio move set

By John Caulfield
NHCN associate editor

KANSAS CITY, Mo.—By this time next year, the state of Ohio could be known as "Payless Country."

The 111-unit, $602 million Payless Cashways will be moving into Cincinnati, Dayton and Springfield, Ohio, for the first time, spending an estimated $23 million to $25 million to expand in the Buckeye State alone.

This growth will come on the heels of Payless' opening its third 30,000-sq.-ft. unit in Columbus, Ohio, sometime in July. Kim Miller, who had been district manager supervising stores in Illinois and Ohio, now assumes full-time responsibility for the orchestration of the chain's expansion program in Ohio.

Meanwhile, on May 5, the chain acquired for an estimated $1.5 million to $1.75 million the land, building and inventory of the independent Morrison Building Supply Center in Salina, Kan., from the Morrison Grain Co. there.

However, throughout 1983 Payless' growth plans will center on solidifying markets in which it already operates. Three units will be built in the Houston area, bringing Payless' total to nine there; a fourth Phoenix market store will go up in Chandler, Ariz.; the company opened its 13th Dallas store in suburban Plano, Tex., in February, and a second Fresno, Calif., unit will commence business later this year.

Construction in 1983, including the two stores in operation in Columbus and a new unit in Evansville, Ind. (a new market for the chain), will cost between $26 million and $30 million, according to Richard Hemer, senior vice president, personnel and construction.

These expansion plans are in line with previously outlined company goals to increase total square footage each year an average of 15%. While future 1984 growth has yet to be announced, Hemer told *NHCN* that the chain has purchased land for six Cincinnati units, and is negotiating for property on which to construct two or three stores in Dayton and one in Springfield.

The recent Morrison acquisition gives the Kansas City-based chain a 30,000-sq.-ft. store with a 50,000-sq.-ft. warehouse and lumbershed that rests on seven acres of land. The store, according to its general manager Vaughn Hofmeier, did $5.5 million in sales last year, carries 16,000 sku's and stocks $1.1 million in inventory. Payless is expected to take over the unit no later than June 30.

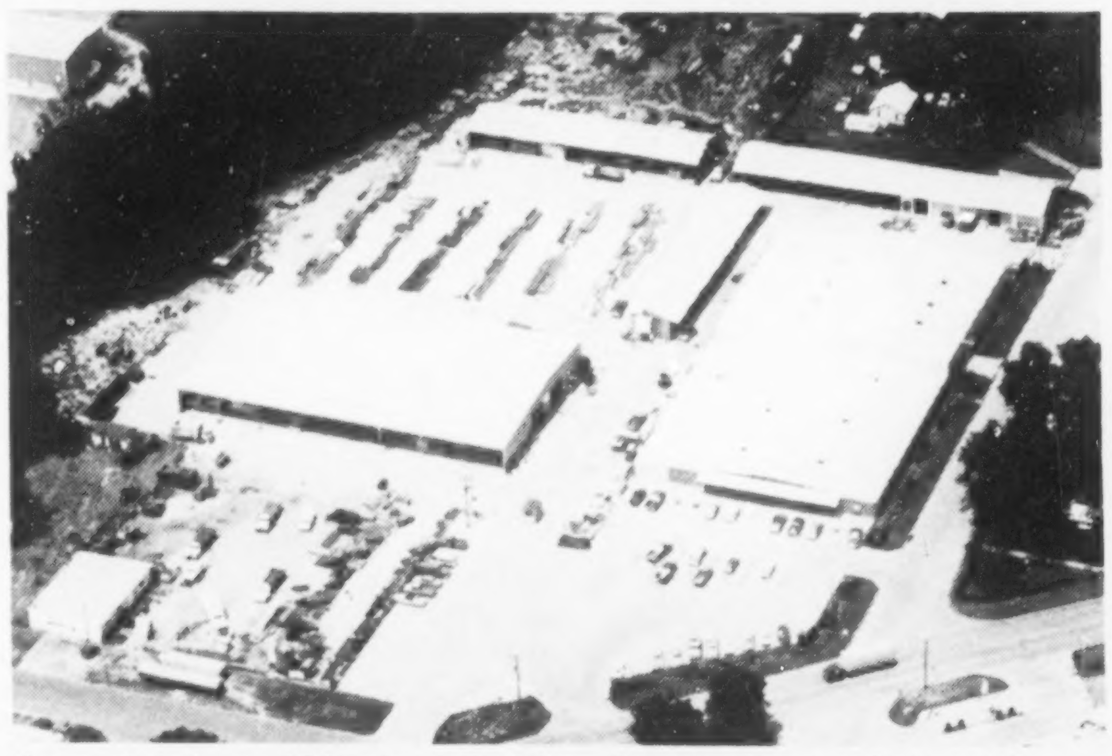
"The Salina area is an exceptionally strong market and is well within our current sales territory," said chain president David Stanley in a prepared statement. Hemer explained that the closest Payless store to the Salina unit is 90 miles south in Wichita. "And Salina is more of an urban market than our other Kansas stores," he said.

Stanley went on to say that "as a growth-oriented company, we are interested in acquiring strong building materials centers that fit into our service areas." Last year, the chain bought three Brookhart Building Centers in Colorado, one Dunlap's in Nora, Ind., and, for $26.5 million, the seven-unit Lumberjack Stores in northern California.

Interestingly, the five-member partnership from Morrison Grain approached Payless initially about a possible sale, and, according to Hemer and Hofmeier, the deal was struck in less than 60 days. "They only had the one store," said Hemer, "and it was our understanding that they wanted to concentrate on their other businesses," which include grain and alfalfa processing.

"It's getting much harder for an independent to remain profitable under current market pressures," added Roger Morrison, one of Morrison Grain's partners, none of whom will remain active in the home center operation.

Morrison said that the store, which started out 20 years ago selling salvage lumber, had been "the No. 1 building materials company in this market for some time," and that Payless had been sufficiently impressed with Morrison's earnings and margins.



An aerial view of Morrison Building Supply Center, Salina, Kan., a 30,000-sq.-ft. independent that was purchased last month by the Payless Cashways chain of Kansas City, Mo.

As an aside, Morrison noted that Salina has no local television station, but gets broadcasts from six cable stations out of Wichita and Kansas City, all of which carry Payless Cashways advertising. He expected the changeover to be smooth.

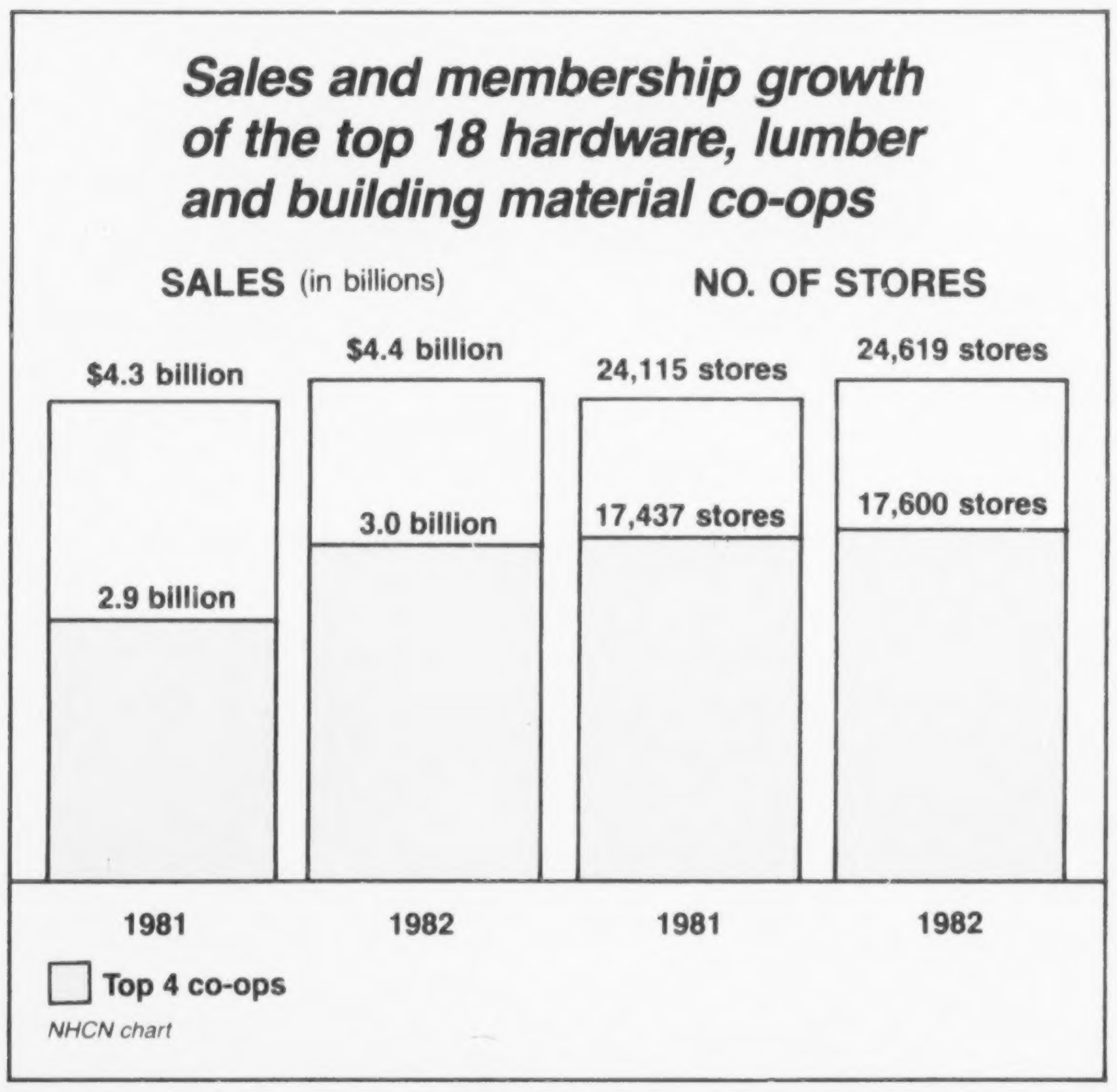
Hofmeier, who will stay on as the store's manager, said that the customer mix at Morrison Building Supply last year was 60% retail consumer, and noted that some merchandising and interior store layout changes would be made to get this store to conform more closely with a typical Payless unit, 95% of whose sales come from cash and carry transactions.

"I've met with Payless' people only a couple of times, but it seems our store runs at a lower inventory level than the chain's units," said Hofmeier. "And we might have a bit more hardware than a Payless unit does."

Hemer said that while there would be little alteration made to the physical structure of the

(Continued on page 45)

Top 4 wholesale co-operatives snare 70% share of dealer sales



The top four hardware wholesale co-ops—Cotter & Co., Ace Hardware, Hardware Wholesalers Inc. and American Hardware Supply—continue to dominate the industry with 69% of 1982 sales and 71.5% of the dealer membership among the 18 largest co-ops, whose aggregate volume and membership last year rose 2%.

NATIONAL REPORT—Increased home center dealer membership was responsible, in part, for the slight gains in sales and inventory levels which marked a more stable 1982 for the major dealer-owned hardware, lumber and building materials co-operatives.

Most of these buying groups saw revenue jumps ranging from 2%-22%, enabling them to maintain—and in some instances increase—their warehouse stock. In addition, these co-ops did not alter their shipping terms to dealers appreciably, were able to increase their advertising expenditures and, for the most part, retained their in-house staffs.

Of the $4.4 billion in aggregate sales generated by the total of 24,619 dealers that are members of co-ops (including those in the employee-owned Builder Marts of America and corporately owned Coast-to-Coast programs), almost 70%, or $3.05 billion, came from the 17,600 dealers that are served by the top four co-ops: Cotter & Co., Ace Hardware, Hardware Wholesalers Inc., and American Hardware Supply.

The Chicago-based Cotter continued to lead the co-op pack in 1982, with $1.4 billion in total billings, a modest 3.2% increase over 1981. Cotter's membership remained static last year, as did its advertising. However, the company increased its inventory to $112 million, and its lumber and building materials sales as a percentage of total volume rose to 6.5% from 5% in 1981.

Ace Hardware, Oak Brook, Ill., saw its building materials sales increase by 54% last year to $36.7 million. In addition, while the company's inventory grew only marginally to $100 million, its sku count increased to 38,000 from 33,500 in 1981. In addition, Ace formed a new subsidiary—known as AHC Store Development Corp.—for the expressed purpose of financing the construction of new retail units where no dealer currently has a franchise.

Among the 10 largest co-ops, American Hardware Supply, Butler, Pa., experienced the largest sales growth—a 9.7% increase to $440.3 million.

HWI, based in Fort Wayne, Ind., continued to lead all of the hardware-oriented wholesale co-ops with 25% of its volume being generated by the sale of lumber and building materials.

Builder Marts of America, the Greenville, S.C. buying group, which specializes in the supply of building materials, saw the most pronounced jump in total members to 1,400 nationwide, a full 20% gain.

Not all the co-ops rode along

(Continued on page 40)

Hechinger backs N.C. venture with TV promos

By David Morgan
NHCN field editor

LANDOVER, Md.—Hechinger has fortified its move into North Carolina with a vigorous television campaign, highlighted by 7 to 13 advertisements per week and on-camera product demonstrations for local public affairs programs.

Plans for this summer call for an even more extensive television effort than that witnessed by North Carolina viewers thus far. The company reportedly expects to present a new series of commercials within a 17-week cycle set to begin early in the season.

Up until now, the campaign has focused on four- to eight-week cycles coinciding with grand openings at two stores in Charlotte and one in Winston-Salem. Advertisements continue to run on three network affiliates in Charlotte, where openings took place only a few weeks ago. The television campaign in Winston-Salem came to a temporary end March 27, about a month after the store opening there.

Hechinger is expected to rely more heavily on radio advertising in both markets as the summer months approach. Weekday newspaper advertisements are said to focus on the company's image as a high-density merchandiser instead of on pricing, while a market observer said the 10-page color circulars offered in Sunday newspapers are identical to, though smaller than, the 16-page tabloids distributed each week in Virginia.

Thus far there has been no definitive assessment of the campaign's effect on sales at the new stores. Local competitors, who say the stores' parking lots seem to be filled continuously, tend to remain skeptical about the chain's chances for success. The spokesman for a Charlotte independent said Hechinger is offering the "highest prices in town."

Financial analysts say there is no reason to believe Hechinger's performance in North Carolina will be less lucrative than it has been in similar markets throughout Virginia, Maryland and Pennsylvania.

The only indication made by the company itself came during an April luncheon hosted by the New York Society of Securities Analysts. In his address to the gathering, president John Hechinger said the unit in Winston-Salem had surpassed corporate expectations for sales. "In fact," he added, "it is within the middle range of all the stores in [terms of] volume after just one month at the new location."

The Hechinger television campaign for the Winston-Salem market began at the close of February on stations WXII (NBC) in Winston-Salem, WFMY (CBS) in Greensboro, and WGHP (ABC), Highpoint. Television sales executives there said 30- and 10-sec. commercials appeared during several time segments including early morning, early and late news, prime-time fringe and prime time. Rates for 30-sec. spots range from $80 for an early morning slot to between $400 and $1,250 for prime time.

The chain also has sponsored a team of specialists who demonstrate home improvement projects like furniture refinishing during morning and evening public affairs programs. One local television executive said the on-camera appearances complement similar demonstrations performed in-store.

An advertising effort similar to that staged in the Winston-Salem area currently is underway at three Charlotte stations including WSOC (ABC), WBTV (CBS), and WPCQ (NBC). The campaign there, which began a week before the two openings, is expected to run no longer than eight weeks.

Hechinger's television campaign overall has brought the chain as many as 55 rating points, meaning that its commercials have been viewed by about 55% of the area's households that own television sets. The company has made no comment on advertising costs, however. A spokesman for Earle Palmer Brown and Cos., the Washington, D.C.—based advertising agency hired by Hechinger for the campaign, said she has been barred by contractual agreement from making any public disclosures.

According to the Television Bureau of Advertising, the chain spent approximately $983,600 on television advertis-

(Continued on page 45)

Top 4 co-ops nab 70% total sales in '82

(Continued from page 3)

on the industry's modest recovery, though. The 1,050-member Our Own Hardware, Burnsville, Minn., saw revenue decline from $100 million to $98 million in 1982; its employee level reduced from 350 to 320, and its ad budget drop 20% to $800,000. Nevertheless, its 400 home center dealers now contribute about 40% of Our Own's volume, up from 30% from 300 dealers in 1981.

On the other hand, the Newburgh, N.Y. ENAP ("Everybody Needs a Profit") buying group had the largest percentage increase in volume last year, a 21.8% leap to $56 million, and its total accounts grew by seven to 105. Fifty-four of ENAP's 67 dealer companies are home center operations, generating close to 80% of the buying group's volume.

This appeared to be a good year for those co-ops selling lumber and building materials. Along with BMA and ENAP, Reserve Supply, the Minneapolis-based co-op, saw its sales increase by close to 16% to $60 million, 82% coming from building materials sales. In addition, Reserve increased its sku selection from 3,100 to 6,000 last year, although the company closed a 35,000-sq.-ft. warehouse. And its home center membership grew from 35 in 1981 to 60 last year, contributing 25% of total sales.

Coast-to-Coast, the 1,160-member Minnetonka, Minn., wholesaler owned by Household International in Chicago, also closed a distribution center in Kansas City. Company president Carl Nipp, who last year replaced Joseph Karels, declined to provide *NHCN* with further comparative data. But National Retail Hardware Assn. estimated Coast-to-Coast's sales fell from $300 million in 1981 to $217 million last year.

Other points of interest among the major hardware dealer buying groups included Handy Hardware Wholesalers' 86% ad budget increase to $156,000 and its offering free co-op advertising to its 375 members (last year, the Houston company charged $150 per month for the service); General Mercantile & Hardware, St. Louis, eliminating its drop-ship service and raising its corporate advertising 100% to $200,000, and the $6.4 million Connecticut Hardware Supply, Cromwell, Conn., broadening its sku assortment to 29,000 from 25,000 in 1981.

Not all co-operatives entered 1983 intact though. Two companies that were included on last year's co-op listing—Associated Wholesale Hardware in Portland and Master Distributors, Somerville, Mass.—fell to bankruptcy and liquidated their merchandise.

In addition to those buying groups servicing dealers, another collection of companies, whose membership is comprised of wholesalers, accounted for another $3.51 billion in sales last year. These groups represented 198 wholesalers with more than 300 distribution centers around the country, although there are no reliable data on what percentage of those wholesalers' dealer-customers could be classified as home centers.

The buying groups—Liberty Distributors, Associated Building Materials, Pro Hardware, Sentry Hardware, Val-Test Distributors, Allied Hardware Services and Associated Hardware Buyers (ranked in order of sales from $825 million to an estimated $118 million)—saw relatively little change in their total volume or memberships last year.

The one exception was Sentry Hardware, the Cleveland, Ohio-based buying organization. In 1982, two of its wholesalers—Alchar Hardware and Woodward Wight & Co., Ltd.—went under, while the Geo. Worthington Co. and Townley Hardware merged. But Sentry also added to its membership Genuine Hardware Co., a subsidiary of the Atlanta-based Genuine Parts, which represents a number of wholesale companies and the Associated Retail Merchants stores it acquired several years ago when it bought the Beck & Gregg wholesale group. According to the April issue of *Southern Hardware*, Genuine's sales last year totaled about $110 million.

Hardware, lumber & building materials co-ops

Company	Sales in millions 1982 (1981)	Dealer membership No. of stores 1982 (1981)	No. of home center dealers/ % of sales 1982 (1981)	Lumber & building materials sales as % of total volume 1982 (1981)	Sales/ inventory ratio 1982 (1981)	No. of warehouse (total sq. ft.) 1982	Sku's 1982 (1981)	Employees 1982 (1981)	% charge to retailers out of: —warehouse —poor relay —drop ship 1982 (1981)	Advertising total (cost of tabs to dealers and terms)
Cotter & Co., Chicago, Ill.	$1,394 (1,350)	7,000 (7,000)	1,500/30 (1,500/30)	6-6.5 (5)	12.4 (13.5)	11 (4,585,000)	25,000 (25,000)	3,500 (3,200)	5-15 (5-15) 6 (6) 2 (2)	$53 million (co-op charges pay for nat'l ads; dealers pay 1% of purchases for regional ads; tabs range from $85/1,000 (16pp.) to $171/1,000 (60pp.)
Ace Hardware Oak Brook, Ill.	$733 (694)	4,200 (4,200)	1,400/38 (1,386/NA)	5 (4.1)	7.33 (7.93)	9 (3,128,636)	38,000 (33,500)	1,750 (1,750)	10 (10) 6 (6) 0-2 (0-2)	$16 million (dealers pay 1% on sales of first $250,000—in 1981, charge was 0.8%. Dealers arrange for their own co-op funding)
Hardware Wholesalers Inc., Fort Wayne, Ind.	$479.5 (469.8)	2,500 (2,500)	1,500/60 (1,500/60)	25 (25)	11.23 (11.05)	4 (1,686,000)	33,000 (33,000)	609 (604)	No adder up, depending on cost of handling & "competitive nature"	$9 million ($30,000/1,000 (8pp.) tabs to $125/1,000 (24pp.)
American Hardware Supply, Butler, Pa.	$440.3 (401.5)	3,900 (3,737)	1,300/40 (1,300/40	19.6 (25)	7.74 (8.36)	5 (1,686,400)	27,800 (27,000)	870 826	5-15 (5-15) 10 (10) 0-2.5 (0-3)	$8.5 million (up from $6.8 million 1981)
Lumbermans Merchandising[1] Wayne, N.J.	$326 ($316)	525 (500)	60/60 (55/55)	100 (100)	none	none	—	105 (100)	—	NA (NA)
Builder Marts of America[2]**,** Greensville, S.C.	$286 (271)	1,400 (1,167)	NA/10 (NA/10)	80 (80)	None	None	—	500 (460)	—	NA
Coast-To-Coast[3] Minnetonka, Minn.	$217 ($300)	1,160 (1,240)	NA NA	NA NA	NA (NA)	3 (NA)	NA	NA	NA	NA
Central Builders Supply, Sturgis, Mich.	$100 (100)	450 (450)	50/50 (50/50)	100 (100)	None	None	—	23 (22)	—	Dealers are charged $400/quarter for services, including advertising
Our Own Hardware, Burnsville, Minn.	$98 (100)	1,050 (1,000)	400/35-40 (300/34)	8 (7)	4.26 (4.35)	2 (650,000)	34,000 (34,000)	320 (350)	14 (14) 6 (6) 2 (2)	$800,000 (tabs run $45/1,000 to $230/1,000)
United Hardware Distributors, Minneapolis	$80.7 (80)	640 (640)	32/5 (NA)	NA	10.1 (10.66)	1 (420,000)	33,000 (33,000)	300 (300)	0-11 (7.2) NA (NA) 2 (2)	$3.3 million (up from $2.9 million in 1981; tabs run $20/1,000 (12pp.) to $100/1,000 (32pp.)
Reserve Supply Minneapolis	$60 (51.8)	359 (350)	60/25 (35/20)	82 (90)	8.6 (8.63)	4 (8.63)	6,000 (3,100)	200 (172)	NA	$130,000 for new institutional ads (tabs run $40-50/1,000)
ENAP, Newburgh, N.Y.	$56 (46)	105 (98)	54/80 (50/50)	100	None	None	—	18 (16)	—	None (30 members participate in tab circular program)
Progressive Affiliated Lumbermen, Grand Rapids, Mich.	$50 (50)	175 (193)	100/80 (95/95)	100	None	None	—	8 (10)	—	None (just began co-op program; charge dealers $250/quarter for services, including advertising)
Handy Hardware Wholesalers, Houston	$33.7 (31.6)	375 (350)	85/25 (70/25)	5 (3)	7.32 (6.87)	1 (100,000)	20,000 (20,000)	99 (103)	9 (9) NA 1 (1)	$156,000 (free co-op), up from $84,000 in 1981, when co-op service cost $150/month
KVD Inc. Winfield, W. Va.	$10 (10)	140 (140)	31/38 (31/38)	2.5 (2.5)	8.33 (8.33)	1 (100,000)	10,000 (10,000)	20 (20)	5-15 (5-15) 5 (NA) 2 (4)	$47,000 down from $50,000 in 1981
General Mercantile & Hardware, St. Louis, Mo.	$9.6 (9)	363 (300)	20/10 (15/5)	5 (None)	6.4 (5.29)	1 (86,000)	18,000 (18,000)	22 (20)	6-18 (6-18) 6 (6) - (1) Eliminated drop shipment	$200,000, up from $100,000 in 1981
Bay Cities Wholesale Hardware, Manteca, Calif.	$7.8 (10)	225 (200)	4/1-2 (4/NA)	None	6.5 (6.5)	1 (90,000)	15,000 (15,000)	28 (30)	10-20 (10-20) 6 (6) 1.5-2 (2)	None (tabs run $50/1,000)
Connecticut Hardware Supply, Cromwell, Conn.	$6.4 (6.2)	52 (50)	3/2 (None)	None	5.3 (6.2)	1 (35,000)	29,000 (25,000)	14 (15)	NA	$122,000 ($10/1,000 for tab circulars)

Source: *NHCN* research; National Retail Hardware Assn.
NA—Not available

[1] Lumbermans Merchandising 1982 figures are NHCN estimates; 1981 figures issued by the company.

[2] Builder Marts of America is employee-owned.

[3] Coast-to-Coast is owned by Household International, Chicago. Estimates in chart were made solely by the National Retail Hardware Assn., Indianapolis.

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